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ABSTRACT

The Minnesota Family Investment Program (MFIP) began in 1994 as a major welfare initiative that differed from the Aid to Families with Dependent Children (AFDC) by featuring the following elements: financial incentives to work; participation requirements for long-term welfare recipients; and simplification of welfare rules and procedures. In volume 1, MFIP's effects on adults were evaluated as part of a comprehensive evaluation during which the program's impacts on 14,639 randomly assigned participants and a subsample of 3,245 participants were examined through a review of baseline characteristics and administrative records data and a 36-month survey of the subsample. MFIP proved more effective than AFDC in terms of the employment and earnings gains achieved by one-parent and two-parent families. (One hundred thirteen tables/figures are included. The following items are among the items appended: an evaluation of STRIDE in Hennepin County; data on participants' knowledge of programs and perception of benefit time limits; an evaluation of the food stamps only group; discussions of data issues and a survey response analysis; data on quarterly impacts on employment, earnings, and welfare benefits; a discussion of the effects of participation on two-parent families; and estimated net gains and losses for members of the Child Outcomes Sample. The bibliography lists 76 references. In Volume 2,

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MFIP's impacts on children from 1,900 families participating in MFIP were examined through a review of baseline characteristics and administrative records data and a 36-month client survey. Compared with children in AFDC, children in MFIP exhibited fewer behavioral problems and did better in school. Mothers in MFIP were more likely to work and had higher incomes. Children in MFIP were more likely to be placed in child care and have continuous health insurance coverage. Mothers in MFIP were more likely to marry and less likely to experience domestic abuse. (Seventy-one tables/figures are included. The following items are appended: major differences in rules under the AFDC; a response analysis of MFIP's 36-month survey; details about the construction of child and family outcomes; MFIP's effects on children in all counties and rural counties; MFIP's effects on selected child outcomes for all children in the evaluation; and a summary of MFIP's impacts converted into size effects. The bibliography lists 105 references.) (MN)

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Virginia Knox
Lisa A. Gennetian
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Volume 1: Effects on Adults

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September 2000

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MFIP

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Volume 1: Effects on Adults

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MDRC

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Upon request, this information will be made available from the Minnesota Department of Human Services in an alternative format, such as Braille, large print, or audiotape.

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Preface

This is the final report from an evaluation by MDRC of the Minnesota Family Investment Program (MFIP). The report is being published in three volumes: this report on the program's impacts on adults (Volume 1); a companion report on its impacts on children (Volume 2); and a summary report. The final report provides valuable insights into four major issues that are currently on the minds of decisionmakers across the country:

> What can states do to minimize the chances that long-term welfare recipients reach a time limit on welfare benefits without any way to support themselves?
>
> How should policymakers support the efforts of low-income workers to stay in their jobs and provide for their families in this era of time-limited welfare?
>
> How can social policies avoid penalizing marriage?
>
> How do the policy changes that states have made in moving their welfare systems from AFDC to TANF affect families and children?

Interestingly, the experimental program in Minnesota that is providing this rich and relevant information was designed without time limits and long before the passage of the landmark federal welfare reform law, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. Dismayed by rising rates of child poverty, by a welfare system that was focused more on eligibility determination than on helping families to improve their circumstances, and by entry-level jobs that provided wages below the poverty line, Minnesota officials decided to move their system in a new direction.

MFIP's designers hoped that a new system that combined financial incentives to work with participation or work requirements for long-term recipients would increase work, reduce long-term welfare dependence, and reduce poverty for working families. To a remarkable degree, MFIP has achieved these goals, showing the most consistently positive results for single-parent long-term welfare recipients. For this group, the program increased work, increased earnings, reduced the use of welfare as a sole income source, reduced poverty, reduced domestic abuse, and reduced children's behavior problems and improved their school performance. Rarely is the story so consistently positive across such a wide range of outcomes for a group of families. In addition, MFIP produced a modest increase in marriage among single parents and a substantial increase in marital stability among two-parent families.

State officials were aware that this new system might cost more than the old AFDC system, and they were committed to finding out whether that investment was paying off in better outcomes for families and children. As a result, they and their government and foundation funding partners — including the staff at the U.S. Department of Health and Human Services who developed a child outcomes study spanning five state welfare reform initiatives — launched a comprehensive evaluation, one component of which was a study of MFIP's effects on children. This study is providing information to people in Minnesota and elsewhere who share a keen interest in both identifying policies that show promise for improving the outcomes of low-income children and ensuring that efforts to change the welfare system do not cause harm to already vulnerable families. Critical questions include: How does employment that results from work or participation requirements affect children? Is poverty bad for children simply because families lack money, or because of other family characteristics that are associated with poverty? What kinds of investments will improve children's outcomes — additional services for low-income families? or financial support? This study (along with two others recently released by MDRC) provides some of the most rigorous evidence available to date that *money matters*. For very disadvantaged families (in this case, single-parent long-term recipients), providing financial support to parents as they move from welfare to work can improve children's outcomes.

At the same time, the results raise important questions about the tradeoffs that are perhaps inherent in welfare reform. The program costs more than the old AFDC system, and it allows people to remain on welfare longer, because families can continue to receive some benefits while they are working. Thus, for those whose primary goal is to reduce welfare caseloads and costs, the results presented here may not look positive. For those who are willing to trade some of those caseload reductions and cost savings for increases in work, reductions in poverty, improvements in child outcomes, or increases in marriage and marital stability (a finding that is intriguing but that we would like to see replicated), the results presented here will be of great interest.

The results also raise some important issues specific to the use of financial incentives within a time-limited welfare system. The message delivered by time limits is to leave welfare as quickly as possible and to use welfare as a last resort. Is it then a coherent policy to combine time limits with financial incentives that may keep families on welfare longer than they would be without those incentives? Should states try to reconcile those two policies by mechanisms such as "stopping the time-limit clock" for parents working a certain number of hours or by providing financial incentives outside the welfare system, or should families simply be informed about the two policies and allowed to make their own decisions about how to use their allotted time on welfare?

No one state study can answer all these questions, and the jury is still out on whether other states, as well as Minnesota, that use these incentives in the context of stricter work requirements, greater sanctions, and new time limits can achieve the same results.

Those of us who evaluate social programs always harbor the hope that our work not only will provide information needed by the state or locality that asked for the study but also will be seen as relevant, and will be used, by a broader audience of decisionmakers. Thanks to the foresight of both the program's designers and the funders who supported this research — and to the cooperation of the families who participated in the evaluation — this study promises to influence our thinking about future directions for welfare reform and supports for low-income workers for some time to come.

Judith M. Gueron
President

Acknowledgments

The final report on MFIP consists of three volumes: one report on the program's impacts on adults (Volume 1); a companion report on its impacts on children (Volume 2); and a summary report. These reports and MDRC's other reports evaluating the MFIP program reflect the contributions of numerous people over several years.

MFIP managers and their staff in the seven counties in Minnesota provided crucial support to the evaluation and played an important role by implementing the random assignment process that was fundamental to the research design. In addition, from 1994 to the present, they have been unfailingly cheerful and accommodating in providing MDRC researchers with insights into the program's implementation and operation.

Several people within the Minnesota Department of Human Services (DHS) also played key roles. Deborah Huskins, former Assistant Commissioner, and John Petraborg, former Deputy Commissioner, provided continuous support for the evaluation. Chuck Johnson, Director of the statewide MFIP program and an earlier Director of the MFIP evaluation, and Joel Kvamme, the evaluation's current Director, were unflagging in their commitment to, and engagement in, the evaluation process. They offered many insightful suggestions along the way in addition to helping us obtain data from several sources.

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The evaluations's final reports benefited from the high-quality analysis and good-humored teamwork of five research assistants: Jared Smith was the lead programmer for the child analysis, processing and analyzing the survey data, and also processed the welfare and earnings records data and created programs for the adult impact analysis; David Seith wrote programs to process and analyze data from the client survey; Leslie Sperber collected and helped analyze data for the benefit-cost analysis and collected data from divorce records; Emily Danyluk assisted in the development of the benefit-cost estimates; and Chris Henrichson collected data from divorce records, coordinated the production of the reports, fact-checked text and tables, and ensured that the report process kept on schedule.

Bob Weber edited the reports, and Stephanie Cowell did the word processing.

The Authors

Executive Summary

In 1994, the state of Minnesota began a major welfare reform initiative aimed at encouraging work, reducing dependence on public assistance, and reducing poverty. The Minnesota Family Investment Program (MFIP) differed from the AFDC system in three key ways:

- **Financial incentives to work.** Parents could keep more of their benefits when they worked, and child care payments were paid directly to providers.
- **Participation requirements for long-term recipients.** If not working full time, long-term recipients had to participate in services designed to move them quickly into the workforce.
- **Simplification of rules and procedures.** Aid to Families with Dependent Children (AFDC), Food Stamps, and Family General Assistance (FGA) were combined into a single program with one set of rules and procedures and one monthly payment.

MFIP began operating in April 1994 in three urban and four rural Minnesota counties, and the Manpower Demonstration Research Corporation (MDRC), under contract with the Minnesota Department of Human Services (DHS), has been tracking the program's implementation and effects. Between April 1994 and March 1996, over 14,000 families were assigned at random, using a lottery-type process, to either the MFIP or the AFDC system. MFIP's effects are assessed by following the two groups for up to three years after they entered the evaluation and comparing their employment, earnings, welfare receipt, income, and other measures of well-being. A companion volume of this final report on MFIP presents the program's effects on additional aspects of families' well-being and its effects on children.[1]

I. Findings for Single-Parent Families

Long-term recipients had received welfare for two years or more when they entered the evaluation. Members of this group were immediately subject both to MFIP's employment-related mandates and its financial incentives.

Recent applicants were applying for welfare or had been receiving benefits for less than two years when they entered the program (the majority were new applicants). Members of this group received MFIP's financial incentives but did not face a mandate to work or participate in employment-related activities until they had received benefits for 24 months.

- **Long-term recipients in MFIP were more likely to work than their counterparts in AFDC, and they had higher earnings.** Table ES1 presents MFIP's effects for single-parent families in urban and rural counties during the first two

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[1] Lisa Gennetian and Cynthia Miller, *Reforming Welfare and Rewarding Work: Final Report on the Minnesota Family Investment Program*, Vol. 2, *Effects on Children* (New York: Manpower Demonstration Research Corporation, 2000).

Table ES1

MFIP's Impacts for Single-Parent Families, Quarterly Averages Through the First Quarter of Year Three, in All Counties

Outcome	MFIP	AFDC	Impact (Difference)	Percentage Change
Long-term recipients				
Employed (%)	49.9	36.9	12.9 ***	35.0
Earnings ($)	955	779	176 ***	22.6
Received welfare (cash assistance and Food Stamps) (%)	85.3	80.6	4.7 ***	5.8
Welfare benefits (cash assistance and Food Stamps) ($)	1,745	1,569	176 ***	11.2
Welfare was only source of income (%)	42.9	54.5	-11.6 ***	-21.4
Income from earnings and welfare ($)	2,700	2,348	352 ***	15.0
Measured poverty[a] (%)	75.4	85.3	-10.0 ***	-11.7
Currently married and living with spouse (%)	10.6	7.0	3.6 **	51.4
Sample size (total = 2,373)	1,141	1,232		
Recent applicants				
Employed (%)	55.3	52.1	3.3 ***	6.3
Earnings ($)	1,470	1,509	-39	-2.6
Received welfare (cash assistance and Food Stamps) (%)	62.6	53.4	9.2 ***	17.3
Welfare benefits (cash assistance and Food Stamps) ($)	1,060	823	237 ***	28.8
Welfare was only source of income (%)	30.1	32.1	-2.0 **	-6.3
Income from earnings and welfare ($)	2,530	2,332	198 ***	8.5
Measured poverty[a] (%)	66.2	73.3	-7.1 ***	-9.6
Currently married and living with spouse (%)	17.0	17.2	-0.2	-1.3
Sample size (total = 5,029)	2,413	2,616		

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records, public assistance benefit records, and the 36-month survey.

NOTES: A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

The results are weighted to reflect the composition of the caseload in the seven counties.

[a] The poverty rate is calculated as the percentage of sample members whose incomes from earnings and benefits are below the poverty line. This measure of poverty is not comparable to the official poverty rate, since income does not include income from other sources.

[b] Sample includes members from the 36-month survey.

years and three months after they entered the program. Families in the urban counties were followed for a somewhat longer period, and their results are presented separately in this report. On average, in each quarter, 49.9 percent of MFIP families worked, compared with 36.9 percent of AFDC families, for a 35 percent increase in employment rates. Their earnings were also 23 percent higher on average. Most recipients who went to work because of MFIP stayed employed consistently and, at the three-year mark, were working in full-time, moderate-wage jobs that offered health benefits. MFIP had fairly consistent impacts across most types of families. One exception is that it increased employment and earnings relatively less among parents who had been previously married when they entered the study. Partly for this reason, MFIP had smaller effects on average in the rural counties, because the majority of rural long-term recipients had been previously married.

- **Recent applicants in MFIP were somewhat more likely to work than recent applicants in AFDC, but they did not have higher earnings.** The bottom panel of Table ES1 shows MFIP's effects for recent applicants. On average, in each quarter, 55.3 percent of parents in the MFIP group worked, compared with 52.1 percent of parents in the AFDC group. Despite having higher employment rates, parents in MFIP did not have higher earnings on average, because MFIP caused some parents to move from full-time to part-time jobs or to take lower-paying jobs than they would have otherwise. This finding is consistent with economists' predictions: When more benefits are provided to families who work, some may be encouraged to take new jobs or work more, while some who are already working may use the extra income to reduce their work intensity, by reducing their hours worked, reducing their weeks worked per month, or taking lower-paying jobs. For recent applicants, these effects offset each other to produce no change in average earnings. Recent applicants did not face a mandate to work full time or to participate in employment activities until they had received welfare for 24 months. Thus, for most of the follow-up period, the majority of recent applicant families received only MFIP's enhanced work incentives.

- **Families in MFIP were more likely than families in AFDC to receive welfare but were less likely to rely solely on welfare.** Because MFIP was designed to allow families with higher earnings to remain eligible for some benefits, MFIP families, both long-term recipients and recent applicants, were more likely than AFDC families to receive benefits. For example, among long-term recipients in the MFIP group, 85.3 percent received welfare in each quarter after program entry, compared with 80.6 percent of long-term recipients in the AFDC group. (Welfare, as defined for families in this study's AFDC group, included AFDC payments, Food Stamp benefits, and Family General Assistance payments.) However, because more recipients in the MFIP group worked after program entry, they were less likely than recipients in the AFDC group to rely solely on welfare; in each quarter after program entry, an average of 54.5 percent of recipients in the AFDC group relied only on welfare, compared with only 42.9 percent of recipients in the MFIP group.

- **Families in MFIP had higher incomes than families in AFDC.** On average, MFIP families had higher incomes (the sum of earnings plus welfare benefits) than AFDC families throughout the follow-up period — a 15 percent increase for long-term recipients and an 8.5 percent increase for recent applicants. In addition, fewer of them had combined earnings plus benefits below the poverty line. Long-term recipients in MFIP had higher incomes because they earned more and because they received more benefits while working. Recent applicants in MFIP had higher incomes because they received more benefits while working. The measure of income used here does not include income from sources other than earnings and benefits — one of the most important being the Earned Income Credit (EIC) available to low-income families through the federal and state tax systems. Because long-term recipients in the MFIP group were more likely to work than those in the AFDC group, they probably also received more in EIC benefits, suggesting that their increased income shown in Table ES1 is underestimated.

- **Long-term recipients in MFIP were more likely to be married than their counterparts in AFDC.** As shown in Table ES1, 10.6 percent of the MFIP recipients were married at the end of the follow-up period, compared with 7 percent of AFDC recipients. There are a variety of ways in which MFIP might have affected marriage rates. Analyses shown in the report suggest that this effect was the result of MFIP's enhanced incentives and changed eligibility rules.

- **Findings from Volume 2 of this final report show that, compared with the AFDC group, long-term recipients in MFIP were less likely to experience domestic abuse, and their children were better off.** MFIP's effects on additional aspects of families and children were evaluated for a group of single mothers with children age 2 to 9 when they entered the program. This part of the evaluation found that long-term recipients in MFIP were less likely to experience domestic abuse than their AFDC counterparts. In addition, they reported that their children exhibited fewer behavioral problems and performed better in school. For children in recent applicant families, however, MFIP had few effects.

- **Making families better off costs more than the typical welfare-to-work program.** The estimated annual costs of MFIP, over and above those of the AFDC program, ranged from about $1,600 to $3,800 per family (not shown in the table). The largest components of these costs were MFIP's more generous benefit payments and the cost of families' continued enrollment in Medicaid while receiving MFIP benefits. These net costs contrast with costs of previous welfare-to-work programs that did not include financial incentives and that in some instances produced savings for the government. However, MFIP's costs need to be weighed against the benefits they bought, both for families in the program and for society as a whole. For example, most MFIP families had higher incomes and more consistent health insurance coverage, and long-term recipients with early-school-age children experienced less domestic abuse and saw improved outcomes for their children. Although it is difficult to put dollar values on such benefits, MFIP produced a number of gains in terms of family and child well-being.

II. Findings for Two-Parent Families

Recipients had been receiving benefits for at least one month when they entered the program. Members of this group received MFIP's financial incentives, and most were immediately required to participate in employment-related services, because they had already received welfare for more than six months.

Applicants were applying for welfare when they entered the program. Members of this group received MFIP's financial incentives but did not face a mandate to work or participate in employment-related services until they had received benefits for six months.

- **Compared with two-parent families in AFDC, both recipient and applicant families in MFIP were as likely to have at least one parent working but were less likely to have both parents working, leading to lower combined earnings.** Table ES2 presents findings for two-parent families. Families in MFIP and in AFDC had similar employment rates during the two-year, three-month follow-up period; that is, they were equally likely during each quarter of follow-up to have at least one parent working. However, combined earnings for MFIP families were somewhat lower on average, because in some families one spouse left work or worked fewer hours. (Most two-parent AFDC families were in AFDC-Unemployed Parent, or AFDC-UP.)

- **Both recipient and applicant families in MFIP were more likely than AFDC two-parent families to receive some welfare.** More two-parent families in the MFIP group than in the AFDC group received welfare during the follow-up period. Among recipients, for example, 76.4 percent of MFIP families received benefits each quarter, compared with 66.0 percent of AFDC families. This effect is the result of MFIP's enhanced work incentives, which allowed more of these families to combine welfare and work. Among two-parent applicant families, 42.9 percent in MFIP and 33.7 percent in AFDC received benefits each quarter — substantially lower proportions than among two-parent recipient families.

- **Two-parent recipient families in MFIP were more likely than their AFDC counterparts to stay married.** Table ES2 shows that 67.3 percent of MFIP families were married at the end of year 3, compared with only 48.3 percent of AFDC families. This effect was concentrated among recipients who were married at program entry, and so it reflects an increase in marital stability rather than an increase in the rate of marriage. These findings are based on respondents' self-reports to the three-year survey and were confirmed using divorce records data in each county. Because of the small number of applicant families who participated in the three-year survey, MFIP's effects on marital stability could not be estimated for them.

Table ES2

MFIP's Impacts for Two-Parent Families, Quarterly Averages Through the First Quarter of Year Three, in All Counties

Outcome	MFIP	AFDC	Impact (Difference)	Percentage Change
Recipients				
At least one parent employed (%)	60.2	62.5	-2.3	-3.7
Family earnings ($)	2,193	2,682	-489 ***	-18.2
Received welfare (cash assistance and Food Stamps) (%)	76.4	66.0	10.4 ***	15.7
Welfare benefits (cash assistance and Food Stamps) ($)	1,889	1,367	522 ***	38.2
Welfare was only source of income (%)	30.6	28.4	2.1	7.5
Income from earnings and welfare, accounting for separation or divorce[a] ($)	3,958	3,769	189 *	5.0
Measured poverty[b] (%)	66.1	70.6	-4.5 **	-6.4
Married and living with spouse at the end of year 3[a] (%)	67.3	48.3	19.1 ***	39.5
Sample size (total = 1,523)	761	762		
Applicants[a]				
At least one parent employed (%)	78.6	78.4	0.1	0.2
Family earnings ($)	4,057	4,492	-435 *	-9.7
Received welfare (cash assistance and Food Stamps) (%)	42.9	33.7	9.2 ***	27.4
Welfare benefits (cash assistance and Food Stamps) ($)	783	433	350 ***	81.0
Welfare was only source of income (%)	9.8	8.8	1.1	12.0
Income from earnings and welfare ($)	4,840	4,924	-85	-1.7
Measured poverty[b] (%)	40.3	41.1	-0.8	-1.9
Sample size (total = 733)	348	385		

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records, public assistance benefit records, and the 36-month survey.

NOTES: A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

The results are weighted to reflect the composition of the caseload in the seven counties.

[a] Information about marital status was only collected for survey sample members. This calculation assumes that a similar proportion of full sample members as survey sample members experienced a divorce or separation at some point during the follow-up period. Because the sample for applicants is too small, marital status is not measured.

[b] The poverty rate is calculated as the percentage of sample members whose incomes from earnings and benefits are below the poverty line. This measure of poverty is not comparable to the official poverty rate, since income does not include income from other sources. For two-parent recipient families, income accounting for separation and divorce is used to calculate poverty.

- **Two-parent recipient families in MFIP had higher incomes than two-parent AFDC families.** When MFIP's effects on reducing separations and divorces are taken into account, MFIP families had higher incomes from their combined earnings and welfare benefits than AFDC families. As shown in Table ES2, their income from welfare and earnings was higher by an average of $189 per quarter.

- **MFIP's costs for two-parent applicant families are comparable to costs for single-parent families; costs are higher for two-parent recipient families.** For two-parent applicant families — the group most likely to leave welfare quickly — MFIP cost about $2,500 more than the AFDC system per year per family. For two-parent recipient families, MFIP added about $3,800 per family per year to government costs.

III. Conclusions

The findings show that enhanced financial incentives combined with mandatory participation in employment-related services can move a significant number of welfare recipients into the workforce, can increase their earnings and income, and can reduce the likelihood that they will rely solely on welfare for support. The MFIP program was particularly successful at achieving these three goals for people who are a high priority for policymakers — single-parent long-term recipients.

Both of MFIP's main components contributed in different ways. The financial incentives were critical for increasing income and reducing poverty; families would not have been better off if their benefits had been reduced nearly dollar for dollar as earnings increased, as was the case under AFDC. When offered alone, however, the incentives caused some families to go to work but caused others to reduce their work hours. In contrast, by coupling the financial incentives with the mandate to participate in employment-related services, MFIP increased full-time work and earnings and thus avoided one of the potential tradeoffs of using incentives; it made families better off without reducing their work effort.

The importance of the participation mandate in avoiding tradeoffs between incentives and work effort is also apparent from the results for two-parent families. Because AFDC-UP, the AFDC program for two-parent families, already had participation requirements, the key differences between it and MFIP for two-parent families were MFIP's enhanced financial incentives and its loosened eligibility criteria. The results show that providing working families with more generous benefits did cause some spouses in dual-earning couples to cut back on their work hours. In addition, however, reduced hours for one spouse may have increased the stability of the couple's marriage. Allowing parents who want to stay married to actually do so can have important effects on families and children.

In 1998, Minnesota replaced its AFDC system statewide with a modified version of MFIP called MFIP-S. The new program differs from the original MFIP in two key ways: The financial incentives are somewhat less generous, and single-parent long-term recipients are required to work 35 hours per week or to participate in employment services within six months of welfare receipt. (Many counties require participation immediately upon entering the welfare system.) In addition, MFIP-S has a sharper "work first" focus and larger sanctions (reductions in benefits) for noncompliance than MFIP, and it operates in the context of the federal five-year time limit on the receipt of benefits. In general, the evaluation results for the field trial are a good starting point for predicting the likely results of statewide MFIP, at least until the five-year time limit begins to directly affect the welfare caseload. Some of the changes in MFIP-S, such as the less generous financial incentives, might reduce the program's direct effects on income and poverty, while others might increase the program's effects on employment and earnings, particularly for recent applicants to welfare. It is difficult to gauge how these changes will affect the program's nonfinancial effects, such as impacts on child well-being for long-term recipients or on marital stability for two-parent families.

Although it is difficult to predict the program's effects in the context of time limits, these evaluation results indicate that two elements of MFIP-S — enhanced financial incentives and time limits — may work at cross-purposes. Enhanced incentives will allow working families to receive benefits longer, which will encourage them to use up their allotted 60 months. Minnesota has addressed this problem in part by stopping the time-limit clock for families who are working and receiving only the portion of their grant that represents Food Stamps. Another way to make these two policies more complementary might be to stop the time-limit clock for parents who work full time. At least one other state, Illinois, is currently doing this.

In addition to these programmatic differences, it is important to note that the economy — nationally and especially in Minnesota — was very strong during the evaluation period covered by this report, with unemployment rates as low as 3 percent in some counties. The ability of parents to find full-time jobs and meet MFIP's participation requirement may depend critically on the state of the economy. Similarly, it is difficult to predict how community effects may come into play, now that the program is designed to saturate each county — indeed, the state — rather than being implemented for subsets of selected counties' caseloads.

Chapter 1

Introduction

I. Background

The Minnesota Family Investment Program (MFIP) represents a new vision of welfare as a system that can simultaneously encourage work, reduce dependence on public assistance, and reduce poverty. It attempts to break loose from the tradeoffs that have previously existed among these goals, by implementing two complementary components: (1) financial incentives to encourage work and (2) mandatory participation in employment-focused services for long-term welfare recipients.

The MFIP program was first implemented as a field trial beginning in April 1994, in the three urban counties of Hennepin (Minneapolis), Anoka, and Dakota and in the four rural counties of Mille Lacs, Morrison, Sherburne, and Todd.[1] The Minnesota Department of Human Services (DHS) contracted with the Manpower Demonstration Research Corporation (MDRC) to evaluate the new program. During the early years of the field trials, the state legislature, MFIP's state and local staff, and community leaders continued to debate how MFIP should evolve in response both to the dramatically changing national policy landscape and to the state's experiences in its initial years of implementing MFIP. In 1997, this debate culminated in the passage of legislation that established a revised version of MFIP as Minnesota's plan for providing public assistance under Temporary Assistance for Needy Families (TANF), the federal public assistance program that has replaced AFDC. Informing the debate were several years of operational experience as well as MDRC's interim evaluation report, *Making Welfare Work and Work Pay: Implementation and 18-Month Impacts of the Minnesota Family Investment Program.*[2] The 1998 statewide MFIP program (MFIP-S) is described later in this chapter. Although this report evaluates only the version of MFIP that was implemented in 1994, many components of the two programs are similar.

This is Volume 1 of the final report on MDRC's evaluation of the MFIP field trials. It assesses MFIP's effects on participation in employment and training activities over a three-year period; estimates the program's impacts on employment, earnings, family income, poverty, and other adult outcomes; and compares the program's benefits with its costs. Volume 2 of the report evaluates the program's effects on family well-being and on outcomes for children who were 2 to 9 years old at program entry.[3] Although this report and the companion report can each stand alone, reading both will provide a comprehensive set of final evaluation results for the MFIP program.

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[1] An eighth county, Ramsey (St. Paul), entered the demonstration in July 1996 and is not included in this report. MFIP-R, as the Ramsey County program is known, had a somewhat different program and research design than MFIP. An analysis of the Ramsey program is included in a supplemental report, *Final Report on the Implementation and Impacts of MFIP in Ramsey County* (Auspos, Miller, and Hunter, 2000).

[2] Miller et al., 1997.

[3] Gennetian and Miller, 2000. Volume 2 is the first of five state reports to be issued by MDRC and other evaluators participating in the Project on State-Level Child Outcomes, a cross-state project instituted by the U.S. Department of Health and Human Services to measure the effects of state welfare reform initiatives on family and child well-being.

The lessons that Minnesota has learned in the process of implementing this new policy and rigorously evaluating its results will be of value nationally, as states try to respond thoughtfully to the new flexibility provided to them under the landmark Personal Responsibility and Work Opportunities Reconciliation Act of 1996 (PRWORA). In fact, the majority of states have incorporated financial incentives, or a "make work pay" approach, as part of their welfare reform policies under TANF. This final report of the MFIP evaluation will assess whether such an approach can achieve the ambitious goals of increasing work effort and increasing total income, and at what cost. How does each component of MFIP — its financial incentives and its mandatory employment and training program — contribute to its effects? For which types of families does this model have the most positive effects, and for which families does the model have limitations or bring particularly large costs relative to the AFDC system? In assessing the benefits and costs of the MFIP approach, the evaluation takes into account not only the program's economic benefits but also its potential noneconomic benefits for families and children, such as improved developmental outcomes for children.

After this section's introduction to the MFIP program and the evaluation, Section II discusses the ways in which MFIP differs from Aid to Families with Dependent Children (AFDC), the cash assistance program that was in place in Minnesota throughout most of the field trials. Section III then describes the MFIP evaluation, including its research design, key research questions, and subgroups of interest. Section IV characterizes the economic policy and environment in Minnesota during the field trials, and Section V describes changes in the new statewide program. The chapter concludes with a summary of how this report is organized.

A. The Issues

In developing a new vision of welfare during the late 1980s, officials in Minnesota dealt with many of the common concerns surrounding AFDC, the traditional welfare system in the United States. For example, AFDC — originally developed to provide assistance to widows and their children — had long been characterized as focusing more on verifying eligibility and processing welfare payments than on helping people move from welfare to work. Also, the rules of AFDC provided a clear disincentive to work: A single mother receiving benefits was often better off not working because of the high rate at which she lost benefits as she earned income. Finally, the eligibility rules for the AFDC-Unemployed Parent (AFDC-UP) program available to two-parent families were more restrictive than the AFDC eligibility rules for single-parent families, raising concerns that the former program provided an incentive to remain single.

Officials in Minnesota were also concerned about the incidence of child poverty. First, as the result of overall economic trends, poverty rates for families with children had increased since the mid-1970s. As a result, one in five children nationwide was living below the poverty line.[4] At the same time, welfare benefits provided under the AFDC system had not kept pace with inflation: Over 20 years, the average maximum benefit for a three-person family had dropped 47 percent in real terms.[5] Thus, low-income families with children were finding it more and more difficult to make ends meet.

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[4] U.S. Bureau of Census, 1995; Annie E. Casey Foundation, 1997.

B. Minnesota's Response: MFIP

Minnesota policymakers sought to address these issues by designing a welfare system that would attempt both to encourage employment and to lift working families out of poverty. This system combined two components: enhanced financial incentives (an income strategy) and mandatory participation in employment-focused services for long-term welfare recipients (a mandatory services strategy).

This new vision of welfare differed significantly from past welfare reform approaches, which usually emphasized one or the other strategy. For decades, those responsible for planning and implementing the nation's welfare policies have struggled to increase work, reduce dependence, and reduce poverty, but they have found that single-pronged policy solutions typically lead to progress on only one of these goals or, worse, achieve one goal at the expense of another: Policies that reduce dependence by mandating participation in employment or education and training services can help people to get into jobs, but generally without enabling them to leave poverty, because participants typically exchange welfare benefits for low-wage jobs; conversely, policies to increase families' income simply by increasing welfare benefits might reduce work effort and increase dependence on welfare. MFIP's combination of up-front financial incentives followed by employment-focused services for those not able or willing to find work on their own was designed to maximize the positive effects of each strategy — that is, both to encourage work and to reduce poverty — while containing government costs.

The inclusion of work incentives in the MFIP model had some important implications for what program planners did and did not expect the program to achieve. It was anticipated that some working families had low enough wages that they would continue receiving MFIP's "work supplement," or residual welfare grant, for some time after gaining employment. Such families would be encouraged to continue increasing their earnings, but they were not viewed as dependent on welfare in the same way as a family who relied on welfare without working. Thus, the program's goal vis-à-vis dependence was to "prevent the long term use of welfare as a primary source of income,"[6] rather than to remove every family completely from welfare.[7] A related implication of including this type of work supplement in the program model is that MFIP was not expected to produce savings for the government in the short run.[8] Instead, state officials characterized the new approach as one of "investment." The hope was that, to the extent that MFIP led to higher costs than the AFDC system in the short run, the up-front investment would be "purchasing" important improvements in child and family well-being in the longer run.

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[5] U.S. House of Representatives, Committee on Ways and Means, 1996.

[6] Minnesota Department of Human Services, MFIP Implementation Memo No. 4, April 30, 1993, p. 1.

[7] This framework for thinking about welfare dependence is consistent with the conclusions reached in *Indicators of Welfare Dependency and Well-Being: Interim Report to Congress*, October 1996, by the U.S. Department of Health and Human Services (HHS). The report points out that dependence is a continuum and that duration of receipt and depth of reliance on welfare should be taken into consideration. Thus, long-term welfare use and welfare use in absence of any earnings are of greater concern than receipt of welfare per se.

[8] For example, in the cost-neutrality agreements negotiated between HHS and Minnesota DHS as a condition of the federal waiver process, it was predicted that the costs of MFIP benefits would be higher than the cost of benefits under the AFDC system.

Many of the ideas behind MFIP date back to the recommendation of a 1986 bipartisan Governor's Commission on Welfare Reform. The design for MFIP itself was developed later, led by planners in Minnesota DHS. The planning process also included input and review by county officials, advocacy groups, welfare recipients, business representatives, and others. In 1988, the state legislature authorized development of the required federal waivers, and Congress passed legislation authorizing the Departments of Health and Human Services and Agriculture to issue waivers after terms and conditions were negotiated. In 1994, Minnesota received final federal approval to implement its new welfare model.

The activities DHS undertook between 1989 and 1994 are testament to the detailed planning required to successfully operationalize a new welfare system. DHS staff redesigned Minnesota's highly automated welfare eligibility and check issuance systems to support the new program; several policy workgroups and advisory councils (including members of the community, local elected officials, DHS staff, and others) developed and approved new welfare rules covering topics ranging from calculating welfare budgets to employment and training policies; and the over 200 forms and materials used at the state and local levels were scrutinized for redesign or elimination.

MFIP integrated several existing programs in the Minnesota welfare system. These included not only AFDC (the core of the traditional system) but also STRIDE, the state's employment and training program for AFDC recipients,[9] which operated on a voluntary basis for certain targeted groups; the state-run Family General Assistance (FGA) program,[10] which allowed some low-income families to qualify for welfare who would not qualify under AFDC; and the federally funded Food Stamp program, which provided assistance in the form of coupons to be spent on food.[11] MFIP did not replace or change Medicaid, the federal-state health program serving low-income families, which is available equally to recipients of MFIP or AFDC.

As shown in detail in Table 1.1, MFIP differed from the AFDC system in three fundamental ways:

- **MFIP made work pay for families on welfare.** This was accomplished primarily by decreasing the extent to which families' welfare grants were reduced when they went to work. For a family on AFDC, some earnings were disregarded when benefit amounts were calculated, but benefits were still reduced

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[9] STRIDE was operated with funding from the Job Opportunities and Basic Skills Training (JOBS) program, which was established by the Family Support Act of 1988 and was designed to move people from welfare to work through education, training, and work experience.

[10] The FGA program was designed to provide cash assistance to certain types of families who did not qualify for AFDC. In particular, some two-parent families who did not qualify for AFDC due to the stringent work history requirements or the 100-hour-per-month restriction on working in the AFDC-UP program could reapply and qualify for the FGA program. Benefit levels for families who qualified for the FGA program were the same as in AFDC.

[11] Throughout this report, the terms "welfare" and "public assistance" are used to represent the range of benefits that are provided in either the MFIP or the AFDC system, including MFIP, AFDC, FGA, and Food Stamps.

Table 1.1

Major Differences in Rules for Financial Assistance, Administration of Benefits, and Employment and Training Programs Under the AFDC System and MFIP

Program Dimension	AFDC System[a]	MFIP
Eligibility		
Income requirements	AFDC and Food Stamps both had gross and net income requirements that households must have met in order to be eligible for benefits.	Net income requirement only.
Asset limits	AFDC asset limit of $1,000, with $1,500 exemption for one vehicle. Food Stamp asset limit of $2,000, with exemption for one vehicle with a value of up to $4,500.	Asset limit of $2,000, with exemption for vehicles with a combined equity value of up to $4,500.
Who was included in the assistance unit	Stepparents, relatives, and others living with the applicant family were not considered part of the household by AFDC, but their income may have been counted in determining Food Stamp eligibility and benefit levels.	Some individuals, such as stepparents and parents of minor parents, could decide whether to be included in the MFIP household. If they decided not to be, they were not eligible to receive Food Stamps separately. Other relatives were not included in determining eligibility or benefit levels, but may have received Food Stamps separately.
Work history requirements and work limits for two-parent families	To have been eligible for AFDC, one parent must either have been incapacitated or reported a recent work history, and worked less than 100 hours per month. Minnesota's Family General Assistance (FGA) program did not have these requirements.	No such requirements.
Financial assistance		
Grant calculation when a recipient has earned income	AFDC grant calculation excluded $120 and one-third of any remaining monthly earnings during the first 4 months of work; $120 during the next 8 months; $90 per month thereafter. Food Stamp grant calculation excluded 70 percent of net income. Net income included the AFDC grant but excluded 20 percent of gross earnings, a $131 standard deduction, and up to $207 of excess shelter expenses.[b]	If there was no earned income, the maximum grant equaled the combined value of AFDC and Food Stamps. If there was earned income, benefits equaled the maximum grant increased by 20 percent, minus net income (Net income excluded 38 percent of gross earnings.) However, benefits could not exceed the maximum grant level.

(continued)

Table 1.1 (continued)

Program Dimension	AFDC System[a]	MFIP
Child care assistance for working parents	Child care reimbursed up to $175 ($200 for children under age 2) as part of AFDC grant, with additional costs reimbursed separately up to county maximum rate.	Child care paid directly to child care provider, up to county maximum rate.
Transitional child care and Medicaid	AFDC transitional benefits were available for the first 12 months after a registrant left welfare for work. Sliding-fee child care was available subsequently.	Same as AFDC.
Penalty for noncompliance with required activities	Noncompliant parent was removed from grant.	Grant was reduced by 10 percent.
Administration of benefits[c]		
Number of public assistance programs	Three separate programs: AFDC, Food Stamps, and FGA.	One program consolidated and replaced AFDC, Food Stamps, and FGA.
Rules for use of Food Stamp benefits	Federal Food Stamp rules applied.	Food Stamps incorporated into MFIP cash grant without Food Stamp restrictions on purchases, unless Food Stamps requested by the recipient.
Employment and training programs[d]		
Mandatory activities		
Single-parent families	Mandatory orientation to STRIDE (Minnesota's JOBS program) for AFDC applicants in a STRIDE target group, except those with children under age 3.	Mandatory participation in MFIP employment and training services for single parents with no children under age 1, who had received welfare for more than 2 years.
Two-parent families	Mandatory orientation and participation in job search and the Community Work Experience Program by primary wage-earner. Second parent could volunteer for STRIDE.	Mandatory participation in MFIP employment and training services by one parent if family had received welfare for more than 6 months.

(continued)

Table 1.1 (continued)

Program Dimension	AFDC System[a]	MFIP
Parents under age 20	Mandatory participation in an education activity for those who had not completed high school or earned a General Educational Development (GED) certificate.	Same as AFDC.
Target groups for voluntary activities	Those in the following target groups could volunteer for STRIDE: single parents who had received aid for 36 of the past 60 months; were custodial parents under age 24 without a high school diploma or the equivalent, or had limited work experience;[e] or were within 2 years of becoming ineligible for aid because the youngest child was age 16 or older.	After July 1995, MFIP sample members who had been receiving welfare for less than 24 months were allowed to volunteer for MFIP services. The number who could volunteer was capped at 10 percent of the MFIP caseload for each case management agency.
Support services	Child care, transportation, and work-related expenses were covered for STRIDE participants. Child care was not available for social services required to remove barriers to employment.	Child care, transportation, and work-related expenses were covered for MFIP employment and training participants. Child care was available for social services required to remove barriers to employment, such as attendance at chemical dependency counseling.

SOURCES: AFDC and MFIP planning documents and eligibility manuals.

NOTES: [a]The term "AFDC system" is used throughout this report to represent the range of programs MFIP was designed to replace, including not only AFDC but also Food Stamps; the Family General Assistance (FGA) program; and Minnesota's JOBS program, STRIDE. The rules shown above are primarily related to AFDC, except where otherwise noted.

[b]These calculation standards were in effect in 1994.

[c]For both AFDC and MFIP group members, Electronic Benefits Transfer was implemented for cash and Food Stamps during the evaluation period (in late 1994 in Hennepin, late 1997 in Anoka and Dakota, and mid-1998 in rural counties).

[d]Employment and training rules described for the "AFDC system" are the rules for AFDC recipients. They do not apply to those receiving only FGA or Food Stamps.

[e]Limited work experience is defined as fewer than 6 months of full-time employment within the past 12 months.

substantially for each dollar of earnings. Under MFIP, much more of a family's earnings were disregarded when determining benefit levels. MFIP's more generous earnings disregard ensured that working *always* resulted in more income than not working.[12]

For example, as illustrated in Figure 1.1, a single parent with two children who had no income from work received the same $769 in monthly welfare benefits under MFIP or the AFDC system. If she worked 20 hours per week at $6 per hour, her grant was reduced by $237 less under MFIP than it would have been under the AFDC system. This raised the reward for working — the difference in total income between working and not working — from $255 to $492, or an increase of 93 percent.[13] If she worked 40 hours per week at $6 per hour, her monthly grant was reduced under MFIP by $148 less than under AFDC, raising the reward for working by 27 percent, from $539 to $687. Thus, compared with the AFDC system, MFIP provided an incentive to work, and a relatively greater incentive to work part time than full time. MFIP allowed families to continue to receive supplemental benefits while they worked, until their income reached approximately 140 percent of the poverty level.[14]

MFIP child care payments also encouraged work, because MFIP paid child care expenses directly to the provider, leaving recipients with no up-front costs. AFDC recipients, in contrast, had to pay for child care upfront, and those costs could be subtracted from their income when their AFDC grant was calculated. Although AFDC recipients were eventually reimbursed for child care expenses, this process could take up to two months.

- **MFIP required long-term public assistance recipients to participate in employment and training services.** Many public assistance recipients left welfare quickly on their own, while others were expected to respond to MFIP's financial incentives by finding jobs. To target services and control costs, MFIP focused employment services on longer-term recipients, who were less likely than others to find jobs without assistance and who accounted for a large share of welfare expenditures. Under MFIP, single parents who had received public assistance for 24 of the past 36 months (and two-parent families who had received assistance for 6 of the past 12 months) were required to participate in employment and training activities in order to continue receiving

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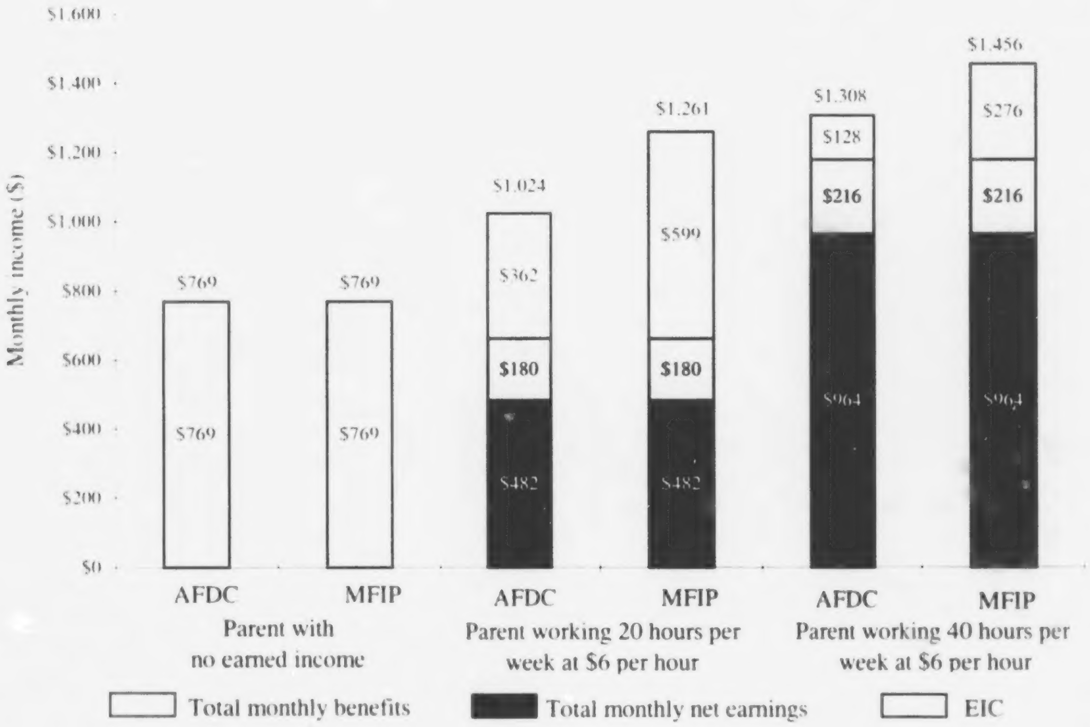
[12] Note that the more generous earnings disregard implies that MFIP benefits were available to many families who would not have been eligible for benefits under AFDC, leading to an increase in welfare costs for that group. This factor made cost control in other areas an important part of MFIP. An example of this is MFIP's strategy of providing employment-related services only to long-term recipients.

[13] Dollar amounts in this chapter correspond to benefit levels and rules in effect in 1994, when MFIP began.

[14] This level reflects MFIP rules in effect throughout most of the field trials.

Figure 1.1

How MFIP Makes Work Pay: Examples of Monthly Income for a Single Parent with Two Children Under MFIP and AFDC



SOURCES: U.S. House of Representatives, Committee on Ways and Means, 1994; 1994 MFIP eligibility manual.

NOTES: Calculations are based on AFDC, Food Stamp, MFIP, income tax, and Earned Income Credit (EIC) rules for April through June 1994. Monthly net earnings are based on the sum of the parent's monthly earnings, minus any applicable income taxes. Monthly benefits are based on the sum of the monthly MFIP or AFDC grant plus any Food Stamp benefits. AFDC grant calculations are based on AFDC rules for the fifth to twelfth months of employment.

MFIP combines AFDC and Food Stamp benefits into one cash grant. A recipient with no other income receives the maximum grant, which is the maximum combined value of AFDC and Food Stamps. An employed recipient receives the lower of (1) the maximum grant increased by 20 percent, minus net income, or (2) the maximum grant. Net income excludes 38 percent of gross earnings.

The AFDC grant calculation disregards $120 of gross earnings. After the twelfth month of employment, AFDC recipients are eligible for only a $90 earnings disregard.

Grant calculations assume no unreimbursed child care costs and no child support collections. AFDC and Food Stamp benefit amounts are based on $500 per month rent.

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their full grants.[15] Individuals were exempt from participating if they had a child under the age of 1, if they had other "good cause" reasons, or if they were working at least 30 hours per week.

For single-parent families, MFIP's employment and training services were a substitute for those provided under AFDC through the STRIDE program. As in STRIDE, MFIP services might include immediate job search or participation in an education or job training program. However, MFIP differed from STRIDE in two significant ways: STRIDE was essentially a voluntary program and had a strong focus on education and training, whereas MFIP was mandatory for long-term recipients and placed greater emphasis on rapid entry into employment.

For two-parent families, MFIP's employment and training services were a substitute for the job search / Community Work Experience Program (CWEP) that was a requirement for two-parent families in the AFDC-UP program. Because the job search / CWEP program was mandatory, the introduction of MFIP employment and training requirements was a less dramatic change for two-parent families than for single-parent families.

- **MFIP consolidated benefits and streamlined public assistance rules and procedures.** MFIP combined the benefits of AFDC, Family General Assistance (FGA), and Food Stamps into a single program, so families on MFIP encountered a single set of rules and procedures. In addition, recipients received Food Stamp benefits as part of their cash public assistance grant, instead of separately as coupons (as they did under the AFDC system).

  Program rules were especially simplified for two-parent families, the majority of whom faced work history requirements and work effort limitations under the AFDC-Unemployed Parent (AFDC-UP) program. MFIP removed these barriers to welfare receipt for two-parent families. Moreover, these streamlined eligibility rules benefited any parent who was single at the time of random assignment but who married the father of her children while receiving MFIP benefits.

II. Comparison of MFIP and AFDC

In order to understand the effects of MFIP and the AFDC system on recipients' behavior, it is important to understand the different ways in which they treated recipients. The following is a comparison of the two programs, which operated side by side in the evaluation counties. Sections A and B compare the AFDC and MFIP systems for single-parent families; Sections C and D describe differences between AFDC-UP and MFIP for two-parent families.

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[15] In Minnesota, this component of MFIP was referred to as "MFIP case management," reflecting the program's emphasis on providing employment and training services within a case management structure.

Parents entered the demonstration in one of two ways. New applicants for welfare were randomly assigned to either the AFDC system or MFIP just before they had their initial eligibility interview. Welfare recipients already on the AFDC caseload were randomly assigned to either group when they came in for their annual recertification, or redetermination of eligibility. (See Figure 1.2 for an illustration of the sequence that was followed in the welfare office on the day of random assignment.)

A. Single-Parent Families in the AFDC System

If assigned to the AFDC system, a single parent was interviewed at her county financial assistance office to determine whether she was eligible for program benefits.[16] If her eligibility was verified, she received a monthly grant including cash benefits, Food Stamp coupons, and Medicaid. If she worked, her welfare grant was reduced as she earned income by an amount that increased over time, the longer she had been working (see Table 1.1 for details). A parent with two children was no longer eligible for assistance under the AFDC system when her monthly earnings reached $1,289. If she did not work and experienced no changes in her income or family situation, she came into contact with the welfare office once a year, when she returned for redetermination of eligibility.

All new applicants found eligible for AFDC were required to attend an orientation to the STRIDE program, which provided education, training, and other services.[17] After the orientation, only those in a STRIDE "target group" — that is, women who had received aid for 36 of the previous 60 months; women who were under age 24 and did not have a high school diploma or a General Educational Development (GED) certificate, or who had limited work experience; and women who were within two years of becoming ineligible for aid because their youngest child was 16 or older — were eligible to volunteer for STRIDE. Other AFDC applicants and recipients were not eligible for STRIDE services until they met one of these criteria.[18] (Note that because of these targeting criteria, the majority of STRIDE participants were either long-term recipients or "at risk" of becoming long-term recipients.)

A woman who volunteered for STRIDE met individually with a case manager at the county employment office or at a private nonprofit agency under contract to provide these services. Together, they developed a "self-sufficiency" plan, which generally outlined steps that would put her in a position to secure a job at a wage rate high enough to move her family off assistance and out of poverty; typically, a self-sufficiency plan included participation in education or training programs. Child care costs could be paid directly by STRIDE only for participants in education or employment-related activities, such as job search. Through mid-1995, volunteers, who typically entered the program to gain further education, were free to leave STRIDE at any time without penalty.[19]

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[16] The feminine pronoun is used because most single parents receiving welfare are women.

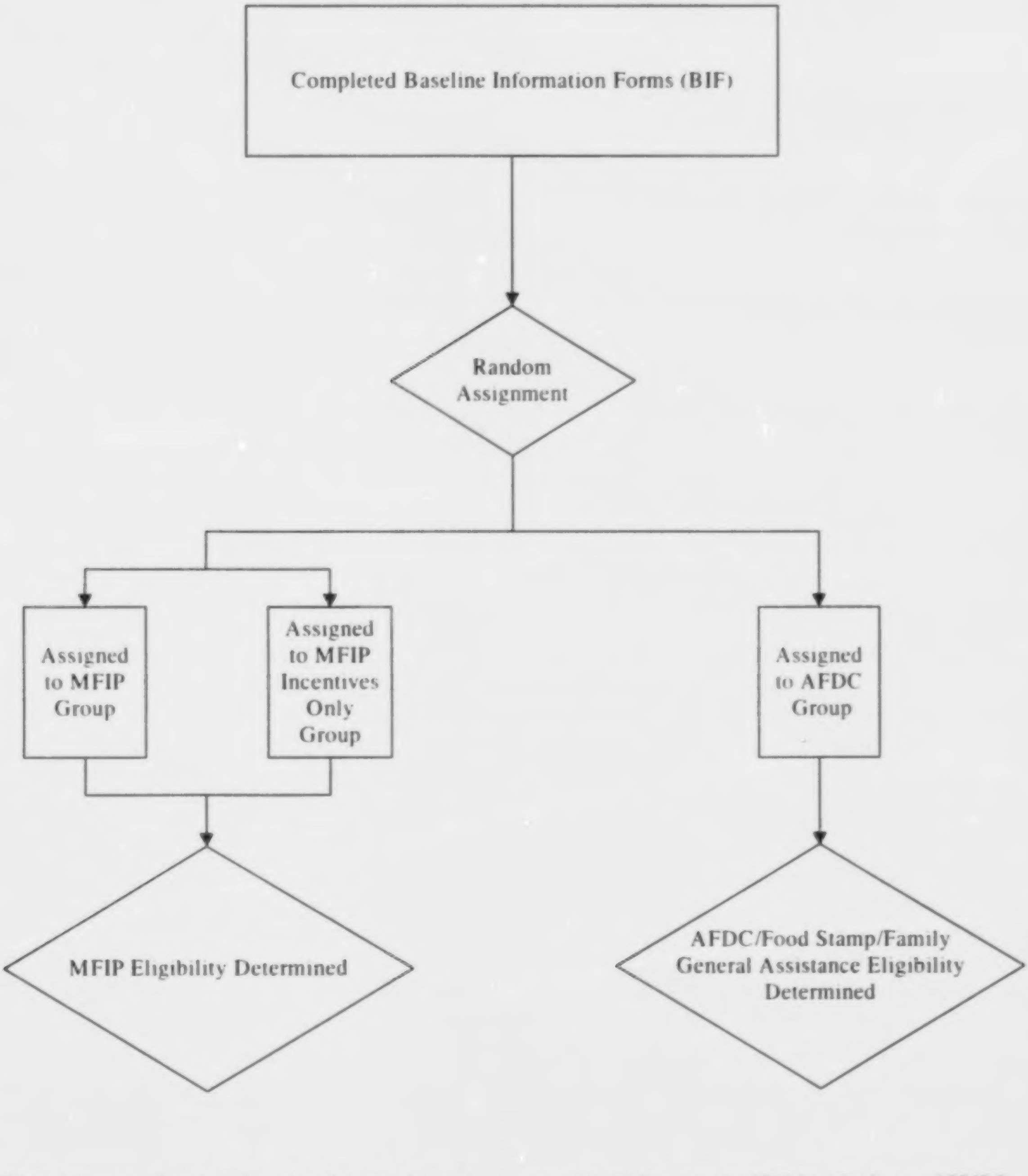
[17] Exemptions were given to those who were caring for a child under age 3 or working at least 30 hours per week.

[18] In addition, women who were under age 20 and who lacked a high school diploma or a GED certificate were required to participate in a STRIDE education activity and could be sanctioned for noncompliance. The same rule applied to women under age 20 in the MFIP group.

[19] After mid-1995, individuals who volunteered for STRIDE services, enrolled in an activity, and ceased to participate could be sanctioned for noncompliance.

Figure 1.2

Overview of the Intake and Random Assignment Process for the MFIP Evaluation


Completed Baseline Information Forms (BIF)
Random Assignment
Assigned to MFIP Group
Assigned to MFIP Incentives Only Group
Assigned to AFDC Group
MFIP Eligibility Determined
AFDC/Food Stamp/Family General Assistance Eligibility Determined

NOTE: In Hennepin County only, a fourth research group was assigned which received AFDC benefits but no STRIDE services. This group is discussed in Appendix A.

B. Single-Parent Families in MFIP

If assigned to MFIP, a single-parent applicant attended an eligibility interview with a specialized MFIP worker. At that interview, she learned how MFIP was designed to make work pay, how her benefits would be affected if she was working or went to work, and when she would be required to participate in employment and training services. To prevent the expanded earned income disregard from causing a large increase in the proportion of new applicants found eligible, workers assessed applications using an earned income disregard formula that was similar to that used in AFDC. If found eligible under these rules, the applicant then received a monthly cash grant that was determined using the MFIP benefit formula, which included Food Stamp benefits in cash, rather than coupons, and Medicaid. If she began to work or her work increased, her grant was reduced, but, as explained earlier, the reduction was smaller under MFIP than it would have been under AFDC (see Table 1.1 for details). When the program began in 1994, a single parent with two children was no longer eligible for MFIP when her earnings reached $1,487 per month — $198 more than under AFDC.

Ongoing AFDC recipients (those receiving assistance at the time of random assignment) who were assigned to MFIP at the time of their recertification interview received the same information about the program that applicants received. Their cases were converted from AFDC to MFIP, and, if determined eligible, they began to receive MFIP benefits and incentives.

MFIP's benefit structure was actually more generous than AFDC's in several ways that are not encompassed in the changed earned income disregard.[20] First, in MFIP, earnings were budgeted retrospectively, so that the first two months of earnings after starting a job were not counted against the MFIP grant. Second, if a person faced a significant loss in earnings due to losing a job, the MFIP grant was immediately increased to make up for that loss rather than waiting two months for the earnings loss to cause the MFIP grant to go up.

Moreover, even for families without earnings, some changes in eligibility rules were to the benefit of MFIP families. In particular, the basic MFIP grant assumed that all families would have received the maximum Food Stamp shelter deduction if they had been in the Food Stamp program. This allowed MFIP to meet a federal waiver requirement that no family lose money as a result of the Food Stamp cash-out, at the same time meeting MFIP's own goal of streamlining the eligibility process by eliminating the use of individual families' shelter expenses to determine their grants. (If MFIP had assumed, for example, that all families had received the average shelter deduction, then families with high shelter costs would have lost money under MFIP.)

When an MFIP parent had received welfare for 24 of the preceding 36 months, and if she worked less than 30 hours per week, she was required to participate in MFIP's employment and training services. When she became subject to the mandatory participation requirement, she was notified and referred to an MFIP service provider agency. MFIP recipients who were not yet subject to the participation mandate could volunteer for services elsewhere in the community, but not for

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[20] Many of the differences between MFIP and AFDC eligibility rules came about because, in the process of combining the AFDC and Food Stamp programs into one set of eligibility rules, program planners had to reconcile the differences in a wide range of rules between the two programs.

MFIP or STRIDE services.[21] The MFIP employment and training component was designed not only to provide services to develop skills and move people into employment but also to reinforce the message about the financial incentives for working. Thus, the financial incentives of MFIP were more strongly marketed to individuals participating in these activities.

An MFIP parent next developed an employment plan with an MFIP case manager. MFIP employment and training services were often operated by the same providers as the STRIDE program, but by distinct staff who had been trained in MFIP's philosophy and procedures. As in STRIDE, the employment plan could include education and other activities. In contrast to STRIDE's long-term approach and its emphasis on education, however, MFIP emphasized quicker entry into the workforce and the use of part-time and possibly low-wage work, perhaps combined with education, as a stepping-stone to full-time work and self-sufficiency. As explained earlier, if child care was required for participation in any component of the plan, including employment, MFIP paid child care costs directly to the provider.[22] If the parent did not comply with the requirements of MFIP's employment and training component, she faced a 10 percent reduction in her welfare grant.

C. Two-Parent Families in AFDC

The process by which two-parent families were randomly assigned either to AFDC or to MFIP was identical to the process for single-parent families. However, in each research group, the treatment that was provided to two-parent families was quite different from the treatment provided to single-parent families.

In most two-parent families, both biological parents were present, and the family would be evaluated for eligibility for AFDC-UP. To be eligible for the AFDC-UP program, the family had to document that the primary wage-earner had worked in at least 6 of the previous 13 calendar quarters (the "work history requirement")[23] and had been unemployed for at least 30 days prior to approval for benefits. In addition to these restrictions, the two-parent family had to be financially eligible for benefits; if the primary wage-earner worked while receiving AFDC-UP benefits, he or she was limited to working no more than 100 hours per month (the "100-hour rule"). Benefits were available to both married and unmarried two-parent families with a dependent child.

The AFDC-UP program further required that the primary wage-earner either work or participate in a job search program. If the job search program did not lead to private sector employment within a specified period of time, the parent was required to work in a Community Work Experience Program (CWEP) position. Although there was a mandatory AFDC-UP job search program in place throughout the follow-up period, CWEP was not operational in the MFIP field trial counties until late 1995, partway through the follow-up period for the evaluation.

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[21] In July 1995, a limited number of spaces were opened for volunteers for MFIP services.

[22] Unlike STRIDE, MFIP would also pay for child care while a participant attended family counseling or other social services activities, if the services were part of the employment plan.

[23] More specifically, the primary earner had to have worked and earned at least $50 in at least 6 of the previous 13 calendar quarters, or the primary earner had to have been eligible for unemployment compensation benefits during the past year.

In some families, both parents were present, but one parent had a long-term disability. Such families could be found eligible for the AFDC program under a provision for incapacitated parents. Similarly, two-parent families who included a stepparent were subject to the rules of AFDC rather than AFDC-UP. In the AFDC program, stepparents were not considered part of the official family unit, but some proportion of their income could be "deemed" accessible to the family. Families who included an incapacitated parent or a stepparent and were found eligible for AFDC could volunteer for the STRIDE program if a parent met the STRIDE target group criteria, but they were not subject to mandatory job search / CWEP services.

A small proportion of families in which both biological parents were present but the family did not qualify for AFDC-UP (for example, because the primary wage-earner could not meet the work history requirement) received benefits through the state-funded FGA program.

D. Two-Parent Families in MFIP

For two-parent families, some aspects of the MFIP program operated in much the same way as described for single-parent families. In particular, MFIP's financial incentives — its expanded earnings disregard and streamlined child care reimbursement — worked similarly for two-parent and single-parent families.[24]

However, the changes in eligibility rules under MFIP went considerably further for two-parent families. For the majority of two-parent families, in which both biological parents were present, MFIP made the initial eligibility process much less arduous and reduced the restrictions on work after the family was on welfare. When two-parent families applied for MFIP, they no longer had to prove an extensive work history or that they were incapacitated — increasing the likelihood that two-parent families would be found eligible. Once on welfare, they were no longer subject to the 100-hour rule, making it possible for working families to remain on welfare even with a full-time job, as long as their earnings were low enough to keep them eligible. Because the 100-hour rule in essence made families choose between welfare receipt and movement into full-time employment, its removal should have encouraged work; but it may also have enabled those who would have worked in the absence of MFIP to stay on welfare longer than they would have been permitted in the AFDC-UP program. A major goal in removing that 100-hour rule was to eliminate any incentive for fathers (in low-wage jobs) to leave their families, thus assuring the families of continued welfare income and access to public assistance services such as Medicaid.

To ensure that families would not be financially worse off under MFIP than they would have been under AFDC and Food Stamps, MFIP allowed two-parent families who included a stepparent to choose whether or not the stepparent would be included in the family unit, allowing them to choose the configuration most favorable to their grant calculation. Moreover, if the family decided not to include the stepparent in the assistance unit but instead to follow the procedure for "deeming" his income as potentially available for supporting the family, MFIP allowed families to disregard more of that income than was the case under AFDC. (The disregard was high enough that, for many families, none of the stepparent's income would be counted in determining eligibility.)

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[24] A two-parent family was eligible for child care reimbursement assistance only if both parents were working or engaged in a work-related activity. (However, if the second parent was a stepparent who opted out of the assistance unit, single-parent rules for child care applied.)

If, at the time of random assignment to the MFIP group, a two-parent family had already received public assistance for at least 6 of the past 12 months, the parents were immediately referred to MFIP's employment and training program. Both parents were required to attend the initial orientation to the services that would be provided. Subsequently, each family was allowed to decide which parent would participate in the mandatory services.[25] Two-parent families who were newly applying for welfare at the time of random assignment were referred to the mandatory services after they had been on welfare for 6 months. (If one parent was incapacitated, two-parent families in MFIP faced no participation requirements. If the family included a stepparent, the family was subject to the same participation requirements as a single-parent family.)

III. The MFIP Evaluation

To compare the outcomes of families in MFIP with the outcomes of the families in the AFDC system, a random assignment design was used, with applicants for and recipients of public assistance being assigned to either the AFDC system or the MFIP system. Random assignment began in April 1994 and concluded in March 1996, after a total of 14,639 families had entered the research sample. This final report follows families in the sample for two to three years (depending on the source of data), obtaining information on welfare receipt, earnings, family income, poverty, and other outcomes.

The random assignment process began at the time an individual applied or reapplied for assistance. At this time, families could be assigned to one of three research groups: the MFIP group, the AFDC group, or the MFIP Incentives Only group.[26] The process of random assignment provides a powerful tool for estimating the program effects. Because sample members were assigned randomly, the characteristics of individuals in each research group should not differ systematically at the time of random assignment, or "baseline." Therefore, any differences in outcomes among these three research groups can be attributed to the program, and comparisons of the outcomes for families assigned to each group provide a reliable estimate of MFIP's impacts.

Variations in the random assignment design for single- and two-parent families, and for urban and rural counties, as well as the questions that this design enables the evaluation to answer, are discussed below.

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[25] This was in contrast to CWEP, in which the mandatory participant was the parent whom the program defined as the primary wage-earner, based on the parents' previous work histories.

[26] In Hennepin County (Minneapolis) only, some families were also randomly assigned to a fourth group, the AFDC/No Services group. Members of this group continued to receive assistance under the AFDC system but were not eligible to receive STRIDE services, thus allowing an evaluation of the STRIDE program compared with providing no employment or training services. Since an evaluation of STRIDE is of secondary interest to MFIP, the description of this group and test are reserved for Appendix A. This group is not included in any of the analyses in the main body of the report.

A. Random Assignment Design for Single-Parent Families

As shown in Figure 1.3, the random assignment design for single parents differed by geographic area. Single parents in urban counties could be assigned to any of the three research groups — MFIP, AFDC, or MFIP Incentives Only — whereas single-parent families in rural counties were assigned to only the MFIP or the AFDC group.[27]

1. MFIP. All single-parent families assigned to the MFIP group received the full MFIP program. This included MFIP's benefit structure, its financial incentives, and, when families had received public assistance for 24 of the past 36 months, the requirement to participate in MFIP's employment and training services.

2. AFDC. Single-parent families assigned to the AFDC group were eligible for the benefits and services offered by Minnesota's AFDC system. They were subject to the financial rules of the AFDC and Food Stamp programs, and if they were a STRIDE target group (described in Table 1.1), they were eligible to volunteer for STRIDE services.

3. MFIP Incentives Only. This third research group was created for the purpose of the evaluation, to help disentangle the effects of MFIP's two major components: financial incentives and mandatory employment and training services.

Although this group is called "MFIP Incentives Only" as shorthand, single-parent families assigned to it were subject to *all of MFIP's financial changes* (including the changed earned income disregard, the Food Stamp cash-out, changes in child care reimbursement, and other eligibility changes such as revisions in how stepparents' income was budgeted). However, these single parents were not subject to time-triggered mandatory services, nor could they volunteer for MFIP employment and training services. If eligible, members of the MFIP Incentives Only group could volunteer to participate in STRIDE services.

B. Random Assignment Design for Two-Parent Families

For purposes of the evaluation, two-parent families were defined as those in which two parents (either biological or stepparent) were living in the home at the time of random assignment. As summarized in Figure 1.4, two-parent families were assigned to either the MFIP group or the AFDC group, and both groups received somewhat different treatment than single parents in the same research groups.

1. MFIP. All two-parent families assigned to the MFIP group received MFIP benefits, which, in addition to providing financial incentives similar to those for single-parent families, removed significant restrictions on eligibility present in the AFDC-UP program, including the work history requirement and the 100-hour rule, discussed earlier in this chapter. When these

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[27] Because the rural sample and two-parent sample were too small to allow for a third research group, the MFIP Incentives Only group was available only to single parents in urban counties.

Figure 1.3

MFIP Random Assignment Design for Single-Parent Families

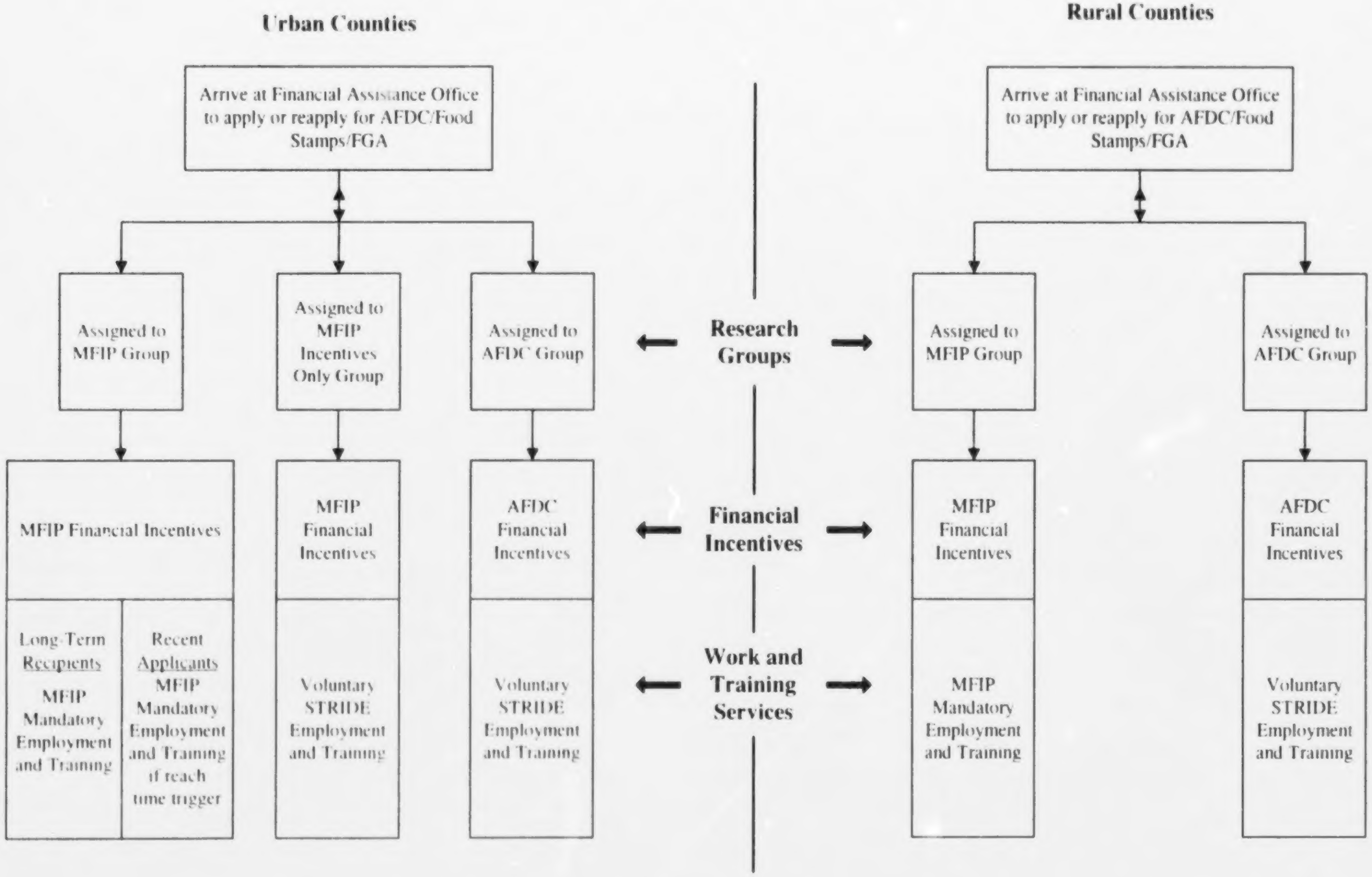
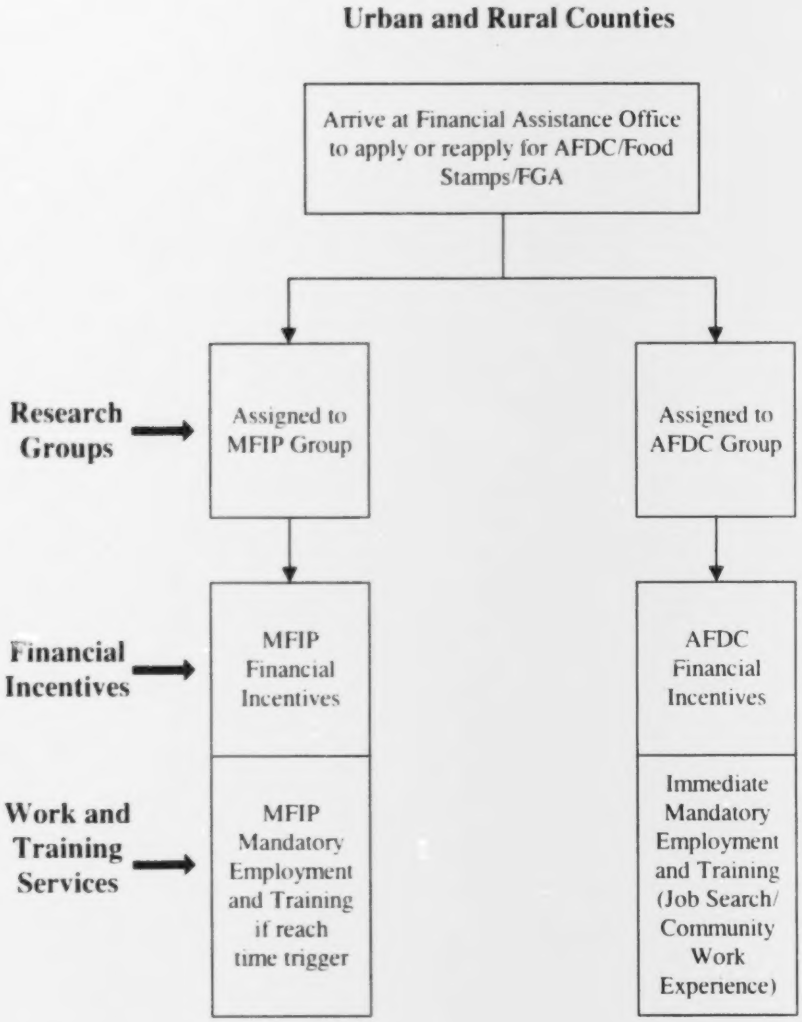

Urban Counties
Rural Counties
Arrive at Financial Assistance Office to apply or reapply for AFDC/Food Stamps/FGA
Arrive at Financial Assistance Office to apply or reapply for AFDC/Food Stamps/FGA
Assigned to MFIP Group
Assigned to MFIP Incentives Only Group
Assigned to AFDC Group
Research Groups
Assigned to MFIP Group
Assigned to AFDC Group
MFIP Financial Incentives
MFIP Financial Incentives
AFDC Financial Incentives
Financial Incentives
MFIP Financial Incentives
AFDC Financial Incentives
Long-Term Recipients
MFIP Mandatory Employment and Training
Recent Applicants
MFIP Mandatory Employment and Training if reach time trigger
Voluntary STRIDE Employment and Training
Voluntary STRIDE Employment and Training
Work and Training Services
MFIP Mandatory Employment and Training
Voluntary STRIDE Employment and Training

Figure 1.4

MFIP Random Assignment Design for Two-Parent Families


Urban and Rural Counties
Arrive at Financial Assistance Office to apply or reapply for AFDC/Food Stamps/FGA
Research Groups
Assigned to MFIP Group
Assigned to AFDC Group
Financial Incentives
MFIP Financial Incentives
AFDC Financial Incentives
Work and Training Services
MFIP Mandatory Employment and Training if reach time trigger
Immediate Mandatory Employment and Training (Job Search/ Community Work Experience)

families had received public assistance for 6 of the past 12 months, at least one parent was required to participate in MFIP's employment and training services.

2. AFDC. Two-parent families in the AFDC group were eligible for the benefits and services of the AFDC system (primarily AFDC-UP)[28] and the Food Stamp program as described above.

C. Research Questions

Table 1.2 outlines the key research questions addressed by the MFIP evaluation and lists the comparisons between research groups that are used to answer each question.

Primary question regarding single- and two-parent families

- **What are the effects of the full MFIP program?** This is the primary question of the evaluation. As shown in Table 1.2, it can be answered for both single- and two-parent families, for all subgroups. The impact of the full MFIP program is measured as the difference in outcomes between members of the MFIP and AFDC groups. However, differences in the program model mean that this basic question should be worded slightly differently for single- and two-parent families:
    - *For single-parent families, does MFIP's entire system of financial incentives and targeted participation mandates lead to different outcomes than the AFDC system?* As illustrated in Figure 1.3, for single-parent families, the financial incentives offered and the employment and training requirements were different for the MFIP and the AFDC groups.
    - *For two-parent families, does MFIP's package of streamlined eligibility rules, financial incentives, and targeted participation mandates lead to different outcomes than the AFDC system?* As illustrated in Figure 1.4, for two-parent families, the eligibility rules, financial incentives, and employment and training requirements were different for the MFIP and the AFDC groups. Note, however, that because most two-parent families in the AFDC group were subject to a job search / CWEP requirement, the *main* differences between the two groups are the changes in eligibility rules and financial incentives.

Additional questions regarding single-parent families

- *What are the effects of offering MFIP's financial incentives alone?* This question is addressed for single-parent families in urban counties, by comparing outcomes for the MFIP Incentives Only group and the AFDC group. As shown

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[28] A small proportion of two-parent families in the AFDC group received cash assistance from the FGA program instead of from AFDC.

Table 1.2

MFIP Research Questions and the Research Group Comparisons That Address Them

	MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
	What are the effects of the full MFIP program?	What are the effects of MFIP's financial incentives alone?	What are the effects of adding MFIP's mandatory services and reinforced incentive message?
Single-parent families			
Urban counties			
Long-term recipients	✓	✓	✓
Recent applicants	✓	✓	✓
Rural counties			
Long-term recipients	✓		
Recent applicants	✓		
Two-parent families			
Urban and rural counties			
Recipients	✓		
Applicants	✓		

in Figure 1.3, these two groups received the same employment services but different financial incentives to work.

- *What are the effects of adding the mandatory services and the reinforced incentive message to the financial incentives?* This impact is determined for single parents in urban counties by comparing outcomes for the MFIP group and the MFIP Incentives Only group. These two groups received the same financial incentives to work, but members of the MFIP group were required to participate in employment services (when they reached the "time trigger"). For those who participated in MFIP employment services, the employment staff also reinforced the program's message about financial incentives.

The additional questions that can be answered for single-parent families highlight the power of the three-group research design to decompose the impacts of MFIP's various components. At the same time, however, to appropriately interpret the impact results, it is necessary to understand the limitations of the design. In particular, the decomposition of MFIP's impacts does *not* answer the question "What are the effects of the mandatory services alone?" To answer that question would require a comparison between the AFDC group and a group that received MFIP's mandatory services with no financial incentives.

The effects of adding mandatory services to existing financial incentives could arguably be either larger or smaller than the effects of providing mandatory services in the absence of financial incentives. On the one hand, there may be positive interactions between the financial incentives and the mandatory services, increasing the positive effects of mandatory services on employment. For example, the MFIP message that "work pays" was strongly reinforced during the orientation to employment and training services and during other meetings with staff, possibly increasing participants' likelihood of responding to services by going to work. Many employment and training staff also stated that they were enthusiastic about MFIP's employment focus because they knew that the financial incentives made working beneficial to their clients; perhaps their enthusiasm for the incentives made them more persuasive with clients than they would have been in the absence of the incentives. Even if the incentives did not affect the implementation of services, there may have been clients who would have responded to mandates when combined with incentives but not to mandates without incentives.

On the other hand, the effects of adding the mandatory services to financial incentives could be smaller than the effects of mandatory services alone. Imagine that welfare recipients fall into two groups: Group A will go to work in response to any new encouragement — *either* a voluntary work incentive *or* a participation mandate; Group B, in contrast, will respond only if mandated to do so. Thus, the effect of establishing new mandates in the absence of any incentives would be additional employment for Group A and Group B. However, comparing outcomes for a group subject to mandatory services plus incentives with outcomes for a group receiving incentives alone — the comparison made in this evaluation — captures only the new employment of Group B, that is, the impact of adding mandates to incentives.[29]

Both of these dynamics — an interaction between mandates and incentives, and an incremental effect of mandates that is smaller than their total effect — are likely to be at play in MFIP, making it impossible to conjecture whether the effects of added mandates are smaller or larger than the effects of mandates provided alone. Readers who are interested in the impacts of mandatory services provided without incentives may refer to a variety of other current welfare-to-work evaluations, such as the National Evaluation of Welfare to Work Strategies (NEWWS).[30]

D. Research Subgroups

Both the random assignment design and the MFIP program model have implications for how results are presented in this report. As explained further below, results for single parents are often presented separately for urban and rural counties, because only single parents in urban counties were assigned to the MFIP Incentives Only group. In addition, results for both single- and two-parent families are presented separately, by welfare status at the time of random assignment, to reflect substantial treatment differences between members of the MFIP group who had reached the MFIP time trigger and those who had not. These distinctions are discussed further below.

1. Single-Parent Families in Urban and Rural Counties. As shown in Table 1.2 and discussed earlier, the primary research question — understanding the effects of the full MFIP program — can be answered for single- and two-parent families in both urban and rural counties. However, the attempt to disentangle the effects of the different components of MFIP can be accomplished only within the subset of families who were randomly assigned to all three research groups — single-parent families in urban counties. One implication of this research design is that this report presents many of the results for single parents separately for urban and rural counties. (The presentation of results by geographic area may also help to identify differences in program effectiveness in urban and rural counties, which might be expected because of differences in economic conditions or in the demographic characteristics of their populations.)

2. Single-Parent Long-Term Recipient and Recent Applicant Families. A fundamental implication of the MFIP rules described in Section II is that the program was experienced very differently by single parents who were considered long-term recipients — those who had received AFDC for at least 24 of the 36 months before random assignment — than by new applicants to welfare and short-term recipients. Although all these groups were entitled to MFIP's financial incentives, only long-term recipients were *immediately* subject to the program's mandatory employment and training services upon random assignment to MFIP. In contrast, new applicants — those who were applying to welfare for the first time on the day of random assignment[31] — were informed that the mandates would apply to them if they remained on welfare for 24 months after random assignment to MFIP. Short-term recipients, who had received welfare before random assignment but for a period of less than 24 months, were informed that they would be referred to mandatory activities when they reached the two-year time trigger. Because neither new applicants nor short-term recipients were immediately subject to MFIP's mandates but both were potentially subject to the mandates during the three-year follow-up period used for many outcomes in this report, for simplicity these two groups are combined into one subgroup called "recent applicants" in the report. (Box 1.1 summarizes the key elements of MFIP for single-parent families.)

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[29] This example focuses on MFIP's impacts on employment, but similar reasoning can be applied to the program's impacts on AFDC payments. For example, the effect of adding a participation mandate on top of incentives may be to reduce average welfare benefits received (by inducing more people to work), but the reduction in welfare payments is likely to be smaller than if a mandate were implemented in the absence of financial incentives.

[30] See, for example, Freedman et al., 2000.

Compounding the difference in how long-term recipients and recent applicants experienced the MFIP treatment is a substantial difference in the rates at which the two groups typically leave welfare, even in the absence of MFIP. In general, recent applicants are likely to find jobs and to leave welfare more quickly than are long-term recipients. Thus, as anticipated by MFIP's planners, by the time recent applicants reached their two-year time trigger for mandatory services, a significant proportion of them were likely to have already left welfare, having never been "touched" by the mandated activities (aside from the possible effects of being told that services would be mandatory for them in the future). Together, the program's strategy of exempting recent applicants from mandated services for two years and the welfare dynamics that inspired that strategy mean that the typical long-term recipient and the typical recent applicant received profoundly different MFIP treatments. For this reason, the results for long-term recipients and recent applicants are examined separately throughout the report.[32]

Box 1.1

Key Elements of MFIP for Single-Parent Families

Recent Applicants	Long-Term Recipients
• Financial incentives (and other changes in eligibility rules)	• Financial incentives (and other changes in eligibility rules)
• Referral to mandatory services with reinforced incentives message if remaining on welfare and reaching the two-year time trigger	• Immediate referral to mandatory services

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[31] Technically, a "new applicant" is defined as a person who is applying for welfare for the first time in the past three years.

[32] The report refers to the subgroups by their status at the time of random assignment. Therefore, parents who entered the demonstration when they applied for welfare are always referred to as "applicants," even though most became recipients of welfare when their eligibility had been verified.

By presenting separate results for recent applicants and for long-term recipients, the evaluation assesses the effectiveness of the program from two very different perspectives. On the one hand, the results for the recent applicant group are important because they provide an indication of how MFIP might affect the welfare system's future entrants (who have not been affected by prior welfare rules) as some progress into employment or off welfare and some remain on welfare and eventually become long-term recipients. The results for long-term recipients, on the other hand, are important because they provide an opportunity to directly examine the effects of MFIP's full treatment — incentives plus mandates — without waiting several years for a new applicant group to eventually reach the time trigger for mandated services and be affected by them. Moreover, from a policy perspective, long-term recipients have proved least likely to gain employment and leave the system without some intervention. Thus, at any point in time, the majority of welfare recipients are long-term recipients, and expenditures on them represent the bulk of welfare costs. For this reason, the MFIP model was designed to intervene most intensively for long-term recipients, and the results for long-term recipients are of particular interest.

3. Two-Parent Recipient and Applicant Families. The report presents results separately for two-parent recipient and applicant families because these two groups were expected to have different responses to the MFIP program. One reason for this expectation is similar to that described above for single parents — the MFIP time trigger meant that mandatory services were likely to affect a larger proportion of recipients, and to affect recipients more quickly, than applicants.

For ongoing recipients, the MFIP random assignment process occurred at the annual recertification interview. This meant that the majority of two-parent recipient families had been on welfare for at least one year at the time of random assignment and, if assigned to the MFIP group, would be referred immediately to MFIP's mandatory services. In fact, because the time trigger for all two-parent families occurred after only six months on welfare, even new applicants were subject to the program's mandates six months after enrollment in MFIP. On the one hand, two-parent recipient families who remained on welfare would be subject to the time trigger much more quickly than single-parent applicants. On the other hand, it was likely that a substantial proportion of them would leave welfare before six months had passed, so they remained less likely than two-parent recipient families to be affected by the program's mandatory services.

As summarized in Box 1.2, there is another way in which the MFIP treatment likely affected two-parent applicant and recipient families differently: The removal of the work history requirement affected only the initial application process, so it affected welfare receipt only for new applicants. In contrast, the removal of the 100-hour rule affected both applicants (once they were found eligible and began to receive public assistance) and recipients.

IV. The Context of the MFIP Field Trials

The findings of any program evaluation should be interpreted in the context of the social, political, and economic environment that existed when the program was implemented and outcomes were measured. In addition to being helpful for interpreting the program's effects, such environmental characteristics can affect the generalizability of the evaluation's results to other locations or other time periods in which the conditions are substantially different. This section describes several internal and external environmental characteristics that had some potential to affect the MFIP field trials.

Box 1.2

Key Elements of MFIP for Two-Parent Families

Applicants	Recipients
• Financial incentives (and other changes in eligibility rules)	• Financial incentives (and other changes in eligibility rules)
• Removal of the work history requirement at application	
• Removal of the 100-hour rule for ongoing eligibility	• Removal of the 100-hour rule for ongoing eligibility
• Referral to mandatory services with reinforced incentive message if remaining on welfare and reaching the six-month time trigger	• Immediate referral to mandatory services

A. Minnesota's Economy

The MFIP evaluation occurred during a time of strong economic growth in Minnesota. Unemployment rates were low at the beginning of the field trials and continued to fall throughout the follow-up period. For example, in June 1994, the unemployment rate in Minnesota was 3.9 percent; by June 1998, it had dropped to 2.5 percent.[33] Unemployment rates were higher in rural than urban counties — three of the four rural counties in the evaluation had unemployment rates of over 7 percent during the evaluation.[34]

In any experimental evaluation of a welfare-to-work program, a strong local economy will make it easier for the control group (in this case, the AFDC group) to find employment, resulting in a higher benchmark for the program (MFIP) group to "beat." Of course, a strong economy will also make it easier for the program group to gain employment. Whether or not the economy actually affects the magnitude of program impacts will depend on how the program treatment itself is likely to interact with the economy. It seems likely that the MFIP treatment's emphasis on fairly quick employment rather than human capital development would indeed be more effective when unemployment rates are low, because employers would be looking for and eager to hire many of the new workers whom the program would induce to look for jobs. However, it is difficult to know whether this improved effectiveness would produce larger *net impacts* than in a weaker economy, given that members of the AFDC group faced such favorable employment conditions.

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[33] U.S. Department of Labor, Bureau of Labor Statistics, 2000.

[34] *1999 County and City Extra*, 1999.

B. Minnesota's AFDC System

Several characteristics of Minnesota's welfare system leading up to the MFIP field trials could have had some influence on the program's effects. First, Minnesota's welfare grant was relatively high: The maximum grant for a family of three in January 1994 was $532, compared with $366 nationally.[35] Because of this relatively high grant, even Minnesota's AFDC program had a high proportion of recipients who were mixing work and welfare — 13.3 percent compared with 9.5 percent nationally.[36] The relatively high rate of employment within Minnesota's welfare caseload could have made it more difficult for MFIP to increase employment rates, and more likely that its expanded earned income disregard would go to people who were already working even in the absence of the program. Similarly, it would be more difficult for families to earn enough money to leave welfare if the earned income disregard were expanded above an already relatively high basic grant rather than a low grant level. The positive side of that dynamic is that when families remained on welfare at higher earnings levels, MFIP's expanded earned income disregard should have had a positive impact on the income of more families than it would have if families had exited welfare at a lower level of earnings.

A second aspect of Minnesota's welfare system that differentiated it from some other states is that Minnesota had never instituted a mandatory employment and training program for single parents prior to implementing MFIP. Thus, the population who entered the field trials had not faced a strong expectation of work in the past and may have reacted differently to the program than would a group composed of families who were still on welfare after previously having faced strong expectations about work.

Finally, during the field trials, Minnesota's welfare caseload declined considerably; from 1994 to 1998, the caseload decreased by 23 percent.[37] This backdrop of changing welfare use in Minnesota's AFDC system is important context for interpreting MFIP's impacts on welfare receipt. Because most members of the evaluation research sample were randomly assigned over a relatively short period, the reduction in Minnesota's caseloads did not result in substantial differences in the demographic characteristics of "early" and "late" entrants into the field trials.[38] However, the population who would be subject to an MFIP program operating *after* the field trial years would likely have a different demographic composition, presumably with more intractable barriers to work, than that of the research sample for the field trials.

C. Earned Income Credits and Other Supports for Working Families

The presence (and expansion) of the federal Earned Income Credit (EIC) may have affected the employment decisions of MFIP and AFDC group members, as well as their likelihood of being in poverty given a particular level of earnings. The maximum federal EIC for a single-parent family with two children was $2,528 in 1994, and it rose to $3,656 by 1997.[39] In addition,

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[35] U.S. House of Representatives, Committee on Ways and Means, 1998, Table 7-14, p. 429.

[36] U.S. House of Representatives, Committee on Ways and Means, 1998, Table 7-25, p. 455.

[37] U.S. Department of Health and Human Services, Administration for Children and Families, 1999.

[38] For example, virtually all long-term recipients entered the sample over a 12-month period, so that in essence they can all be considered members of one cohort.

[39] U.S. House of Representatives, Committee on Ways and Means, 1998, p. 867.

Minnesota's state EIC, the Working Family Credit, was calculated as 15 percent of the federal credit and raised the sum of the maximum federal and state credits in 1997 to $4,204.[40] A growing literature credits the expansion of the EIC with increasing the proportion of single parents who work and with reducing family poverty rates.[41]

The state of Minnesota also supports working-poor families through a number of additional programs operating outside the welfare system. For example, Minnesota operates a health insurance program for poor and near-poor families, resulting in only 9.2 percent of individuals lacking insurance — the fourth-lowest uninsured rate in the country.[42] The state has also invested considerably in child care, increasing funding for Basic Sliding Fee child care for the nonwelfare poor from $29 million in 1994 to $72 million in 1999.[43]

Thus, any positive effects of the MFIP program should be interpreted as effects that were achieved over and above any impacts of the federal and state EICs and Minnesota's set of supports for working-poor families. These other policies might have complemented MFIP to make the program more effective at moving people into work, or, conversely, they might have increased the difficulty of raising employment in the MFIP group, by creating a favorable environment for employment among control group members.

D. An Increasing Employment Focus for MFIP and STRIDE

During the time period in which MFIP was implemented, welfare-to-work strategies both in Minnesota and nationally gradually moved away from an emphasis on education and training and toward an approach that emphasized work as a requirement for receiving welfare. Throughout the 1990s, the policies of many states, including Minnesota, began to place greater emphasis on moving people quickly into employment, culminating in the PRWORA requirement that welfare recipients enter employment within two years of entering the system. This gradual change in emphasis affected both the MFIP program and the STRIDE program, with which MFIP is being compared in this report.

MFIP. At its inception, MFIP's employment and training services were different from those of the STRIDE program, not only because they were mandatory but also because they had a stronger focus on employment within the "mixed menu" from which participants could choose among job search, education, and training activities. Over time, staff reported an even sharper focus on participants' entering employment quickly. For example, as the field trials proceeded, MFIP staff were given technical assistance on improving the quality of the job search component, state MFIP officials encouraged the use of job search as a first activity, and participants were steered toward shorter-term training programs than was initially the case.

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[40] Minnesota's Working Family Credit was increased after the evaluation period, so that by tax year 2001, the average family's Working Family Credit will be about 33 percent of the federal EIC.

[41] See Meyer and Rosenbaum, 1998; Eissa and Liebman, 1996.

[42] In addition, Minnesota's rate of uninsurance for children is only 4.8 percent (Burt, Green, and Duke, 1997; Coughlin, Rajan, Zuckerman, and Marsteller, 1997).

[43] Elizabeth Roe, Minnesota Department of Children, Families, and Learning, telephone conversation.

STRIDE. Throughout the period of the field trials, Minnesota's STRIDE program underwent changes designed to increase the likelihood that participants would complete their activities and to focus the program more on the goal of employment. In July 1995, the legislature formally revised the rules for STRIDE in two ways. First, although it had always been a voluntary decision to enter the STRIDE program, if a person decided to enroll after July 1995, she could be sanctioned for failing to follow through on the plan that she and her case manager had developed. Second, STRIDE participants who enrolled in part-time education or training programs were required to spend a specified number of hours per week in paid employment, work study, or volunteer activities. Case managers were also discouraged from approving education or training plans that took longer than two years to complete (whereas four-year college curricula had been an option for previous STRIDE participants), and they reported that the program placed an increasing emphasis on employment. Nevertheless, in the STRIDE program, education or training remained the primary route to employment.

As a result of the changes described above, both MFIP and STRIDE staff in field interviews described their employment and training services as being more employment-focused in 1996 than in 1994. The fact that both programs evolved over time is an important part of the implementation story. Despite these changes, though, MFIP's services through the end of the field trials remained substantially more employment-focused than services offered by STRIDE.

E. The Transition from MFIP Field Trials to Statewide MFIP (MFIP-S)

In early 1997, Minnesota's legislature adopted its plan for a statewide MFIP program. Differences from the field trial version of MFIP include:

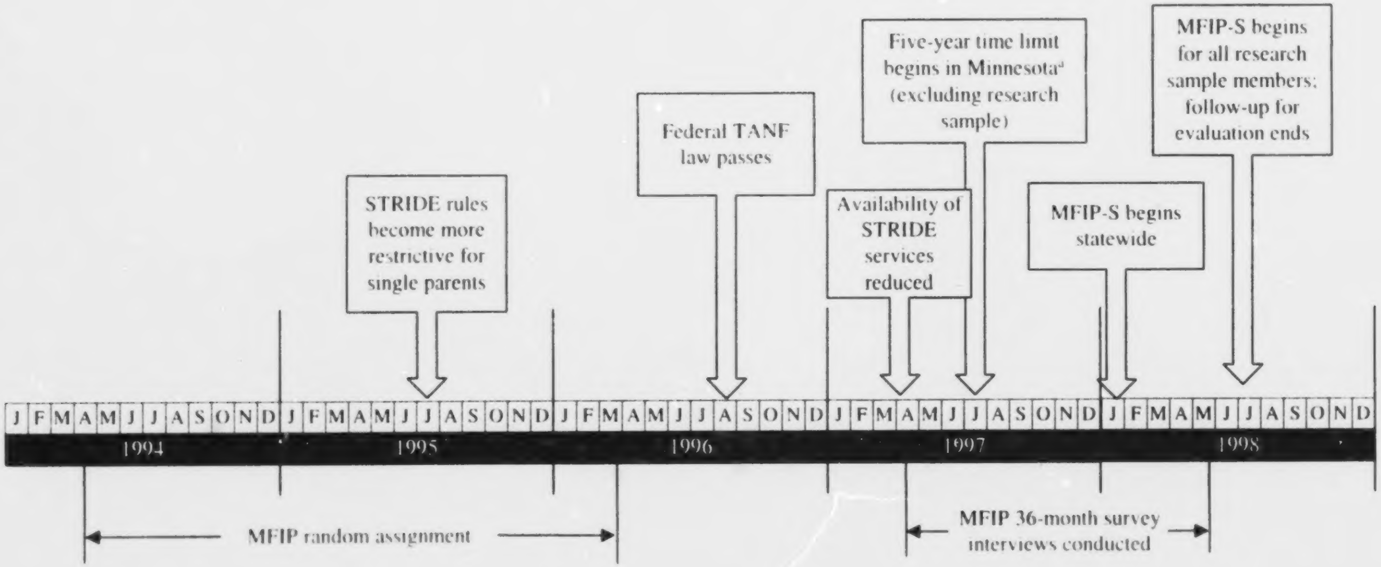
- A 60-month lifetime limit on welfare receipt (adopted in response to the 60-month limit on federally funded TANF benefits)
- A requirement that single parents either work 35 hours per week or participate in job search 30 hours per week, with narrower provisions for education and training activities and more substantial sanctions than under the original MFIP program
- For single-parent families, a time trigger for the work requirement that applies within 6 months of entry into public assistance (rather than 24 months, as under the original MFIP program)
- A reduced base grant and financial incentives that allow recipients to remain on welfare until their earnings reach 120 percent of the poverty line (rather than 140 percent, as under the original MFIP program)

The following changes to Minnesota's public assistance system resulted from MFIP-S and were phased in from mid-1997 to mid-1998, as shown in Figure 1.5:

- As of March 1997, the STRIDE program began to phase out. In some counties, this meant that few new participants were accepted, although participants who were already enrolled were allowed to finish their activities.

Figure 1.5

Time Line of Welfare Reform and MFIP Evaluation Milestones


STRIDE rules become more restrictive for single parents
Federal TANF law passes
Availability of STRIDE services reduced
Five-year time limit begins in Minnesota[a] (excluding research sample)
MFIP-S begins statewide
MFIP-S begins for all research sample members; follow-up for evaluation ends
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1994
1995
1996
1997
1998
MFIP random assignment
MFIP 36-month survey interviews conducted

NOTE: [a]In addition, the 100-hour rule was eliminated statewide, including for research sample members in the AFDC group.

- In July 1997, a five-year time limit on receipt of cash assistance began for all welfare recipients in the state who were not part of the MFIP field trials.[44]

- In July 1997, the 100-hour rule was eliminated for all two-parent families, *including* those in the AFDC group of the field trials.

- From January to March 1998, all welfare recipients in the state who were not part of the MFIP field trials were converted from the AFDC system to the new MFIP-S system.

- In June and July 1998, members of all research groups in the MFIP field trial sample were converted to the MFIP-S program, and data collection for the MFIP evaluation ended.

The field trial members were converted to MFIP-S later than the rest of the state caseload because Minnesota DHS was committed to keeping the basic differences in treatment between the program and control groups intact until the evaluation follow-up was completed in mid-1998. Nevertheless, throughout this period of phasing in new rules, DHS officials were aware that publicity about these changes could confuse members of the field trials regarding which rules applied to them (particularly since even the field trial counties were phasing in the new rules for all recipients who were not part of the research sample).[45] To mitigate this problem as much as possible, DHS sent out notices informing individuals in each research group that they were temporarily exempted from the 60-month time limit and other changes under MFIP-S.

MFIP program staff were keenly aware that change was afoot, and they reported an increasing awareness of time limits and work requirements among members of the field trials, particularly for the final six months of follow-up for the evaluation, when counties converted the non-field trial members of their caseloads to MFIP-S. However, they also reported in interviews that most recipients adopted a "wait and see" attitude toward responding to the impending changes.

Both the work requirements and the 60-month time limit that were part of the new rules under MFIP-S could have confused sample members about which welfare rules applied to them. The primary concern was that these changes might differentially affect the MFIP and AFDC groups. If, for example, the vast majority of the MFIP group believed that there was a time limit but AFDC group members did not, and if this difference in understanding of welfare rules changed their employment behavior, then the evaluation might mistakenly attribute changes in their behavior to the MFIP treatment rather than to differences in the groups' understanding of time limits.

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[44] Also in July 1997, earned income disregards were expanded for all welfare recipients in the state who were not part of the MFIP field trials.

[45] Thus, from mid-1997 to mid-1998, these counties maintained three systems: the new MFIP-S system, the old AFDC system for research sample members in the AFDC group, and the original MFIP system for research sample members in the MFIP group.

As it turns out, there was little difference in how the research groups perceived the time limit. By the point of the 36-month follow-up survey, large majorities of both MFIP and AFDC group members — both long-term recipients and recent applicants — believed that they were subject to a time limit on welfare receipt. For example, among single parents, fully three-quarters of long-term recipients and two-thirds of recent applicants believed that there was a time limit on cash benefits. It is understandable that they would respond this way, because during the time that the survey was fielded, members of each research group received two mailings from Minnesota DHS explaining that there was a five-year time limit but that it would not apply to them for another year.[46]

Interestingly, by the time of the 36-month survey, the majority of the AFDC group believed that they faced some type of work or participation requirement, even though no such requirement yet applied to them. A higher proportion of MFIP group members believed that they faced such a mandate, although the gap in their perceptions was not as large as one would expect, given the substantial difference in rules for the two groups. (See Appendix B for tables presenting these results.)

F. Conclusion: Implications of the MFIP Context for Program Impacts

The two aspects of Minnesota's economic and policy environment that are most closely related to the program treatment and therefore most directly affect the generalizability of MFIP's results are the state's very strong economy and its high welfare grant levels relative to other states. In addition, aspects of the program's context which evolved over time — the improving economy, the expanding EIC, the increasing emphasis on quick employment throughout the welfare system, and sample members' changing perceptions of welfare rules — might theoretically affect the trend in program impacts over the course of the follow-up period. Although it is difficult to predict whether these influences will make the trend in impacts more positive or more negative over time, this question is examined empirically in Chapter 4. As mentioned earlier, however, the bulk of the sample entered the evaluation within a relatively narrow window of time, making it unlikely that sample members who entered the field trials "early" versus "late" would show dramatically different impacts because of changes in the composition of the welfare caseload.

V. To What Extent Can the Field Trial Results Help Predict the Effects of MFIP-S?

As described in the preceding section, Minnesota implemented a revised, statewide version of MFIP in January 1998 as its response to the new flexibility of federal TANF rules. The many similarities between the original MFIP program and the new MFIP-S make the evaluation results a good starting point for predicting the likely results of the statewide program, even though the many changes in MFIP-S make it difficult to make predictions with accuracy.

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[46] Evaluations of recent programs instituting time-limited welfare have similarly found that a significant proportion of welfare recipients believe that they face a time limit, even when they are members of a research group that is not subject to a time limit (Bloom, 1999, p. 60).

The biggest policy changes in MFIP-S are aimed at reducing costs and increasing the urgency of the employment message. These include the five-year time limit, the reduced basic grant, the reduced earnings threshold for leaving welfare, the more immediate participation mandate, tighter sanctions, and the increased orientation toward full-time work. In addition to reducing costs, however, these changes may reduce the most direct income-enhancing effects of the program and may increase its employment impacts, particularly for recent applicants to welfare. Moreover, it is difficult to gauge how these changes will influence any nonfinancial effects that MFIP-S may have on family and child well-being.

The statewide program may exhibit other strengths and weaknesses relative to the field trials which are true of many programs that move from an experiment to a wider application. On the one hand, the evaluation results presented here may be more favorable than results for the statewide program, because each county in MFIP-S will probably receive less intensive "hand-holding" by state-level staff than was true in the field trials, and because statewide staff may be less enthusiastic than staff in the counties that volunteered to participate. In addition, as more welfare recipients in the state are subject to work requirements, any employment impacts in the field trials that resulted from "jumping the queue" for employment before other workers may be more difficult to achieve. On the other hand, the new statewide program has the advantage of potential "community effects," or changes in community norms that may occur now that MFIP is saturating the entire state caseload rather than affecting just subsets of families within particular counties.

VI. Organization of This Report

This chapter has provided an overview of the MFIP program, the evaluation design, and the context in which the evaluation was conducted. The remainder of the report is organized as follows:

- Chapter 2 describes the research design and data sources in more detail, and it describes the characteristics and attitudes of members of the MFIP research sample.
- Chapter 3 assesses differences in participation in employment and training services for single-parent members of the MFIP, AFDC, and MFIP Incentives Only groups.
- Chapter 4 presents impacts on employment, welfare receipt, income, poverty, employment retention, and other outcomes for long-term recipients in single-parent families.
- Chapter 5 presents MFIP's impacts for single parents who were recent applicants to welfare at the time of random assignment.
- Chapter 6 provides results for two-parent families, including a comparison of participation patterns for the MFIP and AFDC groups and an assessment of the program's impacts on employment, welfare receipt, income, poverty, marital stability, and other family outcomes.
- Finally, Chapter 7 provides a five-year benefit-cost analysis of the program for each of the key subgroups that are examined throughout the report.

Chapter 2

Research Samples, Data Sources, and Characteristics of the Samples

This chapter provides information on the research samples and data sources used in the Minnesota Family Investment Program (MFIP) evaluation. Section I begins by identifying the research samples evaluated in MFIP. Section II then introduces the data sources used to describe the effects of the program. Finally, Section III presents data on the demographic characteristics of the single- and two-parent families in the evaluation and their attitudes and opinions about work and welfare.

I. Research Samples

The MFIP evaluation studied two main samples: the full report sample and the smaller 36-month survey sample. The "full report sample" includes nearly everyone randomly assigned into the study, with the exception of two small groups. The following section explains how the two main research samples are derived from the total research sample.

A. The Full Report Sample

As described in Chapter 1, MFIP's total research sample includes 14,639 families. As shown in Figure 2.1, some of these families are excluded from the analyses presented in the main portion of this report because of their welfare status or because of missing or inaccurate data.[1] The remaining 11,473 families make up the full MFIP sample.

The full report sample, whose findings are presented in the following chapters, consists of 11,473 families who were randomly assigned to the MFIP or the AFDC group between April 1, 1994, and March 31, 1996. The full sample is made up of 9,217 single-parent families and 2,256 two-parent families. All findings for single-parent families are typically presented separately for urban and rural counties, and results for both single- and two-parent families are presented separately by welfare status at baseline. As explained in Chapter 1, it is necessary to analyze the results separately by region (for single parents) and by welfare status because of MFIP's research design. Results for two-parent families are not analyzed separately for urban and rural counties because, unlike the research design for single-parent families, the research design for two-parent families is identical in both types of counties. Results for two-parent families are presented in Chapter 6.

In the three urban counties (Dakota, Anoka, and Hennepin) only a proportion of the

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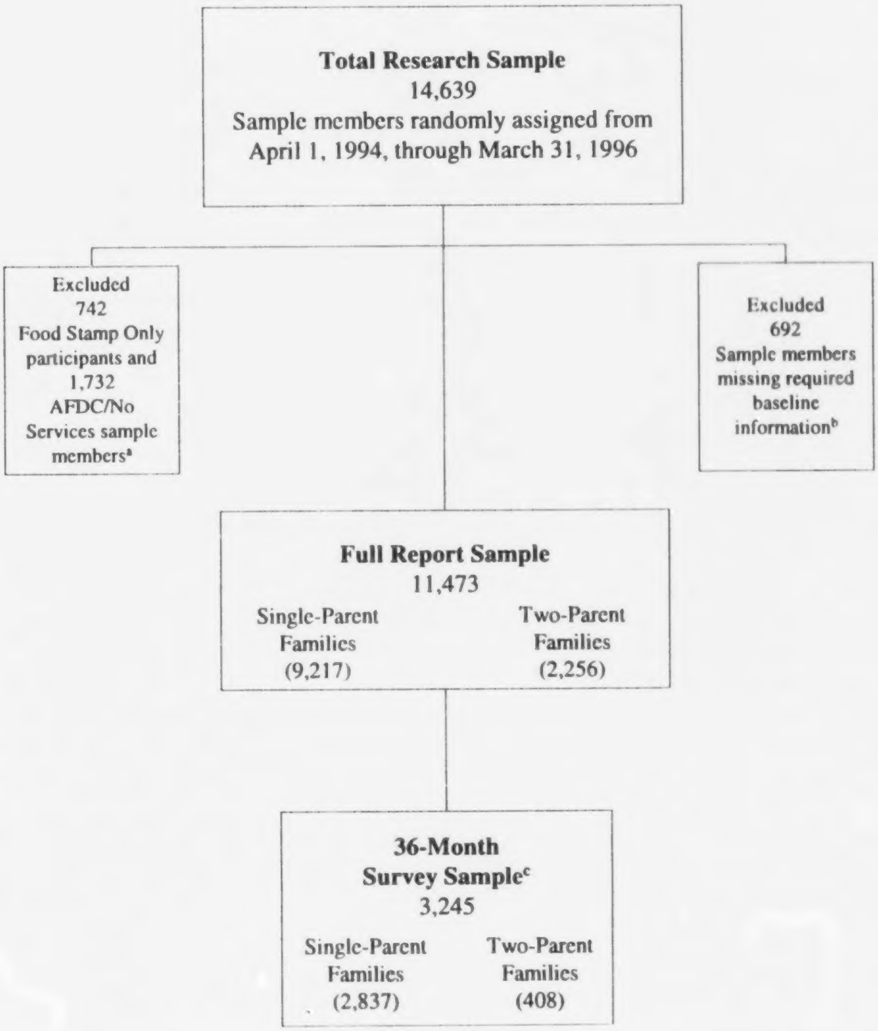
[1] The families excluded from the data analysis include (1) a subgroup of 742 families residing in rural counties who received only Food Stamps; (2) 1,732 members of the fourth research group — the AFDC/No Services families in Hennepin County; and (3) a group of 692 sample members who did not have accurate Social Security information or did not have the information needed to determine whether they met the MFIP criteria for participation in mandatory services. A separate analysis of the Food Stamps Only group is presented in Appendix C, and an analysis of the AFDC/No Services group is presented in Appendix A.

Figure 2.1

Derivation of the Full Report Sample and of the Survey Sample in the MFIP Evaluation


Total Research Sample
14,639
Sample members randomly assigned from
April 1, 1994, through March 31, 1996
Excluded
742
Food Stamp Only participants and
1,732
AFDC/No Services sample members[a]
Excluded
692
Sample members missing required baseline information[b]
Full Report Sample
11,473
Single-Parent Families
(9,217)
Two-Parent Families
(2,256)
36-Month Survey Sample[c]
3,245
Single-Parent Families
(2,837)
Two-Parent Families
(408)

NOTES: [a] The Food Stamp Only group and the AFDC/No Services group are excluded from the full report sample. However, separate analysis are conducted for them in Appendices A and C.

[b] Required baseline information included accurate Social Security numbers, information needed to determine whether the person met the MFIP criteria for participation in mandatory services, and gender.

[c] The full 36-month survey sample is actually 3,720 when the Food Stamps Only and AFDC/No Services groups are included. The sample of 3,720 respondents was drawn from a pool of 4,586 sample members randomly assigned from April 1, 1994, to October 31, 1994, for a response rate of 81 percent.

caseload was included in the random assignment process because only a fraction of the urban caseload was needed to attain the sample sizes for the evaluation. In contrast, the entire caseload was randomly assigned in the rural counties. Thus, rural counties are overrepresented relative to their actual proportion in the caseloads of the evaluation sites. To adjust for this overrepresentation, rural counties are weighted down when estimating impacts for urban and rural counties combined. Table 2.1 presents the sample sizes for key subgroups in the evaluation.

Table 2.1

Sample Sizes for the MFIP Evaluation

Subgroup	Total Families	Urban Counties	Rural Counties
Single-parent families	9,217	7,644	1,473
Long-term recipients	3,208	2,615	593
Recent applicants	6,009	5,029	980
Two-parent families	2,256	—	—
Recipients	1,523	—	—
Applicants	733	—	—

To be randomly assigned into the research sample, an individual had to be applying for or receiving public assistance,[2] at least 18 years old, and residing in one of the seven evaluation counties. Because few screening criteria were used, the cases randomly assigned to MFIP included some individuals — for example, those age 60 or older — who were permanently exempt from any employment and training mandates. Thus, the sample includes the full range of individuals who could be included in the MFIP program if it were expanded beyond the seven original counties.[3]

B. The 36-Month Survey Sample

To gain information that was not available from administrative records, a random subset of families who entered the program between April 1, 1994, and October 31, 1994, was targeted for a survey approximately 36 months after random assignment. The content of the 36-month survey is described later in this chapter.

The survey-eligible pool consisted of 4,586 sample members, of whom 3,720 responded to the survey, for an overall response rate of 81 percent. The response rate for single-parent families was 80 percent, and the response rate for two-parent families was 83 percent. The 36-month survey sample examined in this report includes the remaining 3,245 responders[4] — 2,837 single-parent and 408 two-parent families. Nonrespondents included those who could not be reached as well as those who refused to participate. A survey response analysis was conducted by comparing background characteristics and program impacts for survey respondents with impacts for the full report sample. The results are presented in Appendix D.

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[2] To be randomly assigned in urban counties, families had to be applying for or receiving cash assistance (AFDC or Family General Assistance). In rural counties, an additional group — families who were applying for or receiving only Food Stamps — was also eligible for random assignment.

[3] Families in which all parents were receiving Supplemental Security Income (SSI) were excluded.

[4] The survey responders included members of the Food Stamps Only group and the AFDC/No Services group, which are not analyzed in the body of this report. See Appendices A and C.

II. Data Sources

In addition to the observational field research that MDRC staff conducted each year since the program began, this report draws on a baseline questionnaire, administrative records, and survey data. Each of the data sources is described below.

A. Baseline Characteristics Data

Just prior to random assignment, data were collected on the characteristics of each research sample member. The Background Information Form (BIF) provided important demographic information such as the sample member's age, educational attainment, prior work history, and prior welfare receipt. To complete the BIF, staff in the financial offices interviewed each welfare applicant or recipient and also collected information on prior welfare receipt from the automated benefit system. These forms were completed for 98.6 percent of the research sample.

Also prior to random assignment, most research group members completed a confidential Private Opinion Survey (POS). This brief survey asked respondents about their attitudes, opinions, and preferences regarding work and welfare, thus providing a rich picture of their perspectives as they entered the program. Seventy-one percent of sample members completed the POS.[5]

These data on sample members' baseline characteristics are used for three purposes: to describe the samples, to define subgroups of the population whose participation patterns and program impacts may be of particular interest, and to contribute to the regression model used in the impact analyses to increase the precision of impact estimates.

B. Administrative Records Data

Follow-up data on public assistance benefits received and on sample members' earnings were available from April 1993 to June 1998.[6] These data provide information about each sample member's welfare receipt and earnings for a minimum of one year prior to random assignment and for up to three years following random assignment. For two-parent families, these data were collected for the other parent as well.

Public assistance benefits records were provided to MDRC by Minnesota's Department of Human Services. These automated data include monthly information on public assistance benefits provided to each member of the research sample. (As explained in Chapter 1, public assistance may include MFIP, AFDC, Food Stamps, or Family General Assistance.)

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[5] Attitudinal data are not available for 11 percent of the sample members because the survey began in May 1994, the second month after the start of random assignment. Thus, families randomly assigned during the first month of random assignment were not issued the POS. The remaining 17.7 percent for whom attitudinal data are missing are sample members who refused to fill out the POS.

[6] As discussed in Chapter 1, in June of 1998 changes in Minnesota's welfare system converted all members of the research sample to the new statewide MFIP program; therefore data was not collected beyond that point.

Unemployment Insurance (UI) earnings records were provided to MDRC by Minnesota's Department of Economic Security. These data provide quarterly earnings information for each sample member, as reported by employers to the UI system. These data exclude earnings that are not covered by or not reported to the UI system — for example, jobs in the informal economy.[7]

As shown in Figure 2.2, the amount of available follow-up data differed for urban and rural countries. For example, the figure shows that all families were followed through June 1998. This means that the earliest families who were randomly assigned had 16 quarters, or four years, of follow-up data. However, because the last group of single parents in urban counties was randomly assigned in September 1995, outcomes for single parents in urban counties were analyzed for only 11 quarters, or two years and nine months — the common period of follow-up for this subgroup.[8] Because residents of the rural counties were randomly assigned through March 1996, their outcomes were examined for 9 quarters, or two years and three months, after random assignment. The analysis for two-parent families does not distinguish between urban and rural counties; therefore, outcomes for two-parent families were examined for 9 quarters, or two years and three months, after random assignment.[9]

C. The 36-Month Client Survey

As mentioned above, a subset of 3,245 sample members completed a survey 36 months after random assignment. The survey comprised two sections: a core section and a child section. Some of the core section's results (such as the amount and sources of respondents' income, hours worked, and wages and job benefits) are presented in this report, while the results from the child section of the survey are presented in Volume 2, which includes detailed information about child care, domestic abuse, maternal depression, and child well-being measures.[10]

The 36-month survey results augment the adult and family-level outcomes measured by

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[7] Because the public assistance and UI automated systems are maintained at the state level rather than by individual counties, MDRC continued to receive these data for individuals who moved outside the seven MFIP counties, as long as they remained within Minnesota. (However, members of the MFIP or MFIP Incentives Only groups who moved within Minnesota but outside the MFIP counties received benefits according to the AFDC systems rules.) Sample members who left Minnesota were counted as having no public assistance payments or earnings during the months or quarters that they were outside Minnesota. Although it is possible that cross-state migration occurred differentially for members of different research groups, this data limitation is unlikely to have led to substantial biases in impact results.

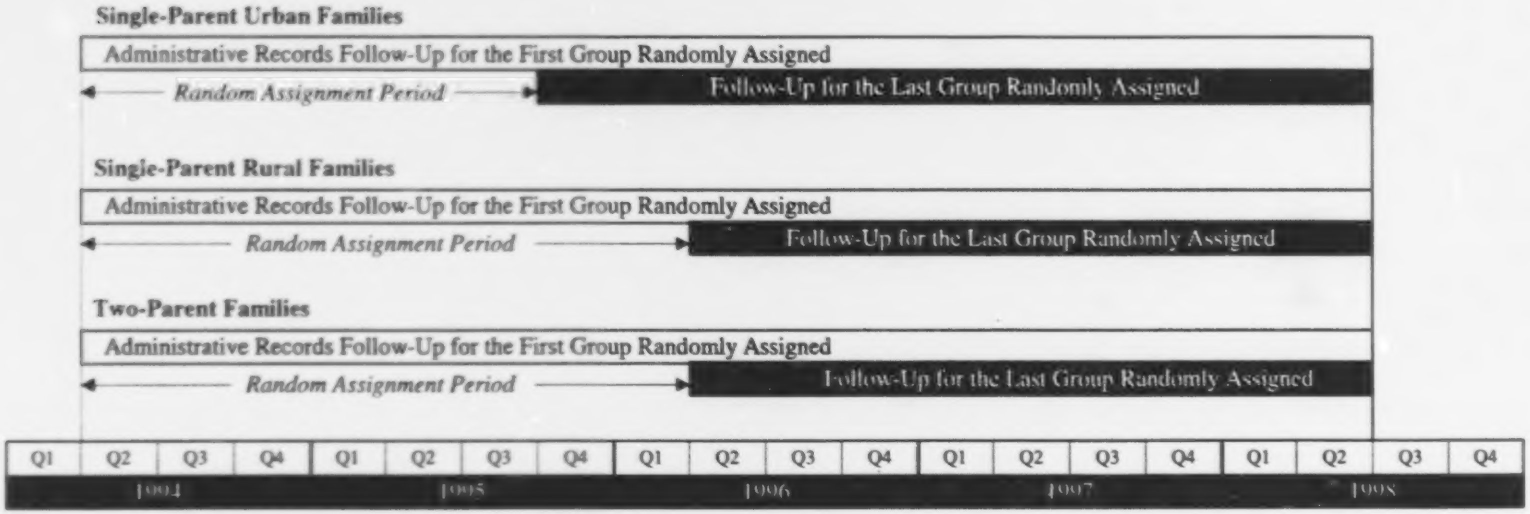
[8] The benefit-cost analysis presented in Chapter 7 utilizes all data available for each individual rather than limiting the follow-up to the common period for each subgroup.

[9] The analysis for two-parent families combines urban and rural counties because their research designs are identical and because sample sizes are small.

[10] Gennetian and Miller, 2000.

Figure 2.2

Random Assignment Periods and Administrative Records Follow-Up for the MFIP Evaluation


Single-Parent Urban Families
Administrative Records Follow-Up for the First Group Randomly Assigned
Random Assignment Period
Follow-Up for the Last Group Randomly Assigned
Single-Parent Rural Families
Administrative Records Follow-Up for the First Group Randomly Assigned
Random Assignment Period
Follow-Up for the Last Group Randomly Assigned
Two-Parent Families
Administrative Records Follow-Up for the First Group Randomly Assigned
Random Assignment Period
Follow-Up for the Last Group Randomly Assigned
Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
1994
1995
1996
1997
1998

BEST COPY AVAILABLE

the administrative records data — for example, by providing important employment information otherwise not available, including participation in employment and training activities, hours worked, and weekly wage rates. The survey results also include measures of respondents' understanding of the program to which they were assigned, family circumstances, household composition, sources of income, and material hardship.

The core section of the survey took about 30 minutes to complete and was conducted primarily by telephone, with interviews taking place in person only for families who were difficult to reach by phone.

III. Characteristics, Opinions, and Attitudes of Families in the MFIP Sample

A. Selected Characteristics of Single-Parent Families

Table 2.2 presents demographic characteristics of single parents in the MFIP sample at the time of random assignment. This section briefly summarizes the characteristics of single-parent families among long-term recipients and recent applicants, with the focus on long-term recipients. Because long-term recipients were immediately subject to MFIP's employment and training mandates, whereas recent applicants were subject to these mandates at different points in the follow-up period, the program's effects were expected to differ for the two groups.

As explained in Chapter 1, a *long-term recipient* is a sample member who, at the time of random assignment, had received AFDC or Family General Assistance (FGA) for at least 24 of the prior 36 months. Recipients who had received welfare for less than 24 months at the time of random assignment and those newly applying for AFDC or FGA on the day of random assignment are together referred to as *recent applicants.*[11]

Overall, 3,208 single parents, or 34.8 percent of the single-parent sample, were categorized as long-term recipients. The sample is primarily female: 97.8 percent of long-term recipients and 87.8 percent of recent applicants. Sample members were, on average, 29 to 30 years of age at the time of random assignment. More than four-fifths of sample members were from urban counties, and more than half were from Hennepin County (Minneapolis). Recall, however, that these proportions do not reflect the relative sizes of the total caseloads in each county at the time, because the random assignment design included only a fraction of the single-parent caseload in urban counties. In the rural counties, the entire caseload was randomly assigned to one of the research groups. Thus, single-parents from rural counties are disproportionately represented in the research sample.

The ethnic composition of the groups varies slightly. Nearly two-thirds of recent applicants and half of long-term recipients are white. Long-term recipients are somewhat more likely than recent applicants to be black — 34.8 versus 24.3 percent. The ethnic composition of the sample differs from the national caseload by having a higher proportion of white families and a lower proportion of Hispanic families; nationally, about one-third of the caseload are white, and

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[11] Parents under age 20 who did not have a high school diploma or GED and who were applying for welfare when they were randomly assigned are treated as recent applicants in this report. However, they were mandated to participate in education and training services whether they were assigned to the MFIP or the AFDC group. These teens make up 7 percent of the recent applicant sample.

Table 2.2

Selected Characteristics of Single-Parent Families in the Sample, by Welfare Status at Random Assignment

Characteristic	Long-Term Recipients	Recent Applicants
Demographic characteristics		
Geographic area (%)		
Hennepin County (Minneapolis)	65.8	56.6
Anoka/Dakota Counties	15.7	27.1
Rural counties	18.5	16.3
Gender of respondent (%)		
Female	97.8	87.8
Male	2.2	12.2
Average age (years)	30.4	29.0
Race/ethnicity (%)		
White, non-Hispanic	52.8	65.1
Black, non-Hispanic	34.8	24.3
Hispanic	1.7	2.6
Native American/Alaskan Native	7.8	5.2
Asian/Pacific Islander	2.9	2.8
Family status		
Marital status (%)		
Never married	64.0	52.4
Married, living with spouse	0.5	0.3
Married, living apart	9.5	22.5
Separated	2.0	3.3
Divorced	22.8	20.5
Widowed	1.2	1.0
Age of youngest child in years (%)		
Under 3, or client pregnant at the time of random assignment	35.4	54.5
3-5	29.2	16.3
6-18	35.5	29.3
Number of children (%)		
1	35.7	59.1
2	32.7	23.3
3 or more	30.1	14.3
Labor force status		
Worked full time for 6 months or more for one employer (%)	53.5	69.1
Any earnings in past 12 months (%)	32.1	74.8
Currently employed (%)	13.9	22.7
Average hourly wage[a] ($)	5.94	6.59
Average hours worked per week[b] (%)		
1-19	43.4	33.6
20-29	29.9	26.4
30 or more	26.7	40.0
Never worked (%)	10.1	3.5

(continued)

Table 2.2 (continued)

Characteristic	Long-Term Recipients	Recent Applicants
Education status		
Highest credential earned (%)		
GED certificate[c]	16.9	13.0
High school diploma	39.7	47.2
Technical/2-year college degree	9.6	12.3
4-year college degree or higher	1.3	4.0
None of the above	32.6	23.5
Highest grade completed in school (average)	11	12
Prior welfare receipt		
Total prior AFDC receipt[d] (%)		
None	1.3	57.8
Less than 4 months	0.9	3.6
4 months or more but less than 1 year	1.8	9.6
1 year or more but less than 2 years	2.5	11.6
2 years or more but less than 5 years	40.2	10.2
5 years or more but less than 10 years	31.6	4.4
10 years or more	21.8	2.8
MFIP employment and training mandates[e]		
Met MFIP criteria for participation in mandatory employment and training services[f] (%)	100	7.5
Parent under age 20, no high school diploma/GED	5.1	6.9
Recipient of AFDC 24 of past 36 months	96.5	0.9
STRIDE eligibility[g]		
In STRIDE target group[f] (%)	84.4	32.0
Parent under age 24 (18-23), no high school diploma/GED	10.1	12.3
Parent under age 24 (18-23), limited work experience	15.2	20.8
Recipient of AFDC 36 of past 60 months	73.0	4.5
Youngest child age 16 or over	1.1	1.3
Housing status		
Current housing status (%)		
Public housing	5.7	2.2
Subsidized housing	33.9	7.7
Emergency or temporary housing	2.7	3.7
None of the above	57.7	86.5
Number of moves in the past 2 years (%)		
None	32.7	25.6
1 or 2	48.7	53.8
3 or more	18.7	20.6

(continued)

Table 2.2 (continued)

Characteristic	Long-Term Recipients	Recent Applicants
Current and recent education and training activities		
Currently enrolled in education or training[f] (%)		
Any type	23.3	17.3
GED preparation	4.6	2.1
English as a Second Language	0.4	0.4
Adult basic education	1.1	0.6
Vocational education/skills training	5.6	3.7
Post-secondary education	8.9	6.6
Job search/job club	1.9	2.1
Work experience	0.9	0.4
High school	1.3	2.5
If enrolled, program is part of a STRIDE plan	31.2	7.7
Enrolled in any type of education or training during the previous 12 months (%)	28.5	22.7
Sample size (total = 9,217)	3,208	6,009

SOURCE: MDRC calculations using data from Background Information Forms.

NOTES: The sample includes AFDC and MFIP group members who were randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps, were assigned to the AFDC/No Services group, or were missing required baseline information. Members of the AFDC group were potentially eligible for any programs that MFIP was designed to replace: AFDC; Minnesota's JOBS program, STRIDE; Family General Assistance (FGA); or Food Stamps.

One percent of single-parent sample members did not complete a Background Information Form.

[a] Calculated for those employed at the time of random assignment who reported an hourly wage. Twenty percent of those employed were excluded because they did not report an hourly wage.

[b] Calculated for those employed at the time of random assignment.

[c] The General Educational Development (GED) certificate is given to those who pass the GED test and is intended to signify knowledge of basic high school subjects.

[d] This refers to the total number of months an individual or her spouse has spent on AFDC at one or more periods of time as an adult. It does not include AFDC receipt under a parent's name.

[e] Only those assigned to the MFIP group were subject to these mandates.

[f] Totals may not equal all categories summed because some sample members may be in more than one category.

[g] Only those assigned to the AFDC group were subject to these rules.

one-fifth are Hispanic. The ethnic composition of the sample is similar to that of the Minnesota AFDC caseload, with a slightly larger proportion of black families.[12]

The majority of single parents had never been married or were divorced, although a proportion of single parents were married but living apart from their spouse and not legally separated. Interestingly, a much larger proportion (22.5 percent) of recent applicants than of long-term recipients (9.5 percent) fell into this category — an indication that recent marital breakup is a factor in applying for welfare.

Among long-term recipients, 64.6 percent had preschool-age children; as might be expected, the proportion was higher among recent applicants — 70.8 percent. Moreover, the proportions with children under 3 years old (or pregnant at the time of random assignment) were 35.4 percent of long-term recipients and 54.5 percent of recent applicants. These percentages suggest that there could have been a high demand for child care services among those entering employment and training services or employment. In fact, as shown in Table 2.5, more than half of long-term recipients cited an inability to arrange for child care as the reason they could not work. The MFIP caseload had a much higher proportion of preschool-age children than the U.S. average AFDC caseload; less than half the national caseload in 1994 had preschool-age children.

The MFIP sample had relatively high levels of education compared with the national welfare caseload. More than two-thirds of long-term recipients and three-fourths of recent applicants earned at least a high school diploma or a GED certificate before entering the study. Not surprisingly, on average, recent applicants completed more years of schooling (grade 12) than did long-term recipients (grade 11).

As expected, long-term recipients were more disadvantaged than recent applicants in terms of their employment history and welfare history. The earnings and welfare histories of long-term recipients suggest that they may have been less likely than the other sample members to find immediate employment. Less than one-third of long-term recipients reported some earnings in the year prior to random assignment, whereas three-fourths of recent applicants reported earnings. The average hourly wage among long-term recipients who were employed at random assignment was about 65 cents less than the hourly wage among recent applicants. In addition, 10.1 percent of single parents who were long-term recipients had never held a job, compared with 3.5 percent of recent applicants. Recent applicants had a more stable work history as well. Only about half (53.5 percent) of long-term recipients had ever worked full time for six months for the same employer, compared with 69.1 percent of recent applicants. These work histories indicate that recent applicants could have been able to find jobs much more quickly than long-term recipients.

Additionally, more than half (53.4 percent) of long-term recipients had received cash assistance on their own or spouse's AFDC/FGA case for five years or more, compared with only 7.2 percent of recent applicants.[13] It is interesting that the length of stay on AFDC for such a high proportion of long-term recipients was far above the threshold for mandatory participation in employment services.

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[12] National and state caseload averages are from the *1996 Green Book* for the years 1994-1995 (U.S. House of Representatives, Committee on Ways and Means, 1996).

[13] A family who had been on welfare for a lengthy stay is still classified as a recent applicant if that spell had occurred at least three years before random assignment.

As explained in Chapter 1, MFIP required long-term recipients to participate immediately in mandatory employment and training services. Therefore, it is not surprising that a substantial proportion (84.4 percent) of long-term recipients also met the STRIDE criteria for volunteering for these services. A much smaller proportion (32.0 percent) of recent applicants were eligible to volunteer for STRIDE employment and training services. Even though a much larger proportion of long-term recipients compared with recent applicants were eligible for employment and training services, it is interesting that only slightly more long-term recipients reported actually participating in one of these activities. In addition, the majority of those participating in education and training services were doing so outside the STRIDE program, which suggests that such services were accessible even for those who were not eligible for STRIDE.

A substantially larger proportion of long-term recipients than of recent applicants lived in some type of public, subsidized, or emergency housing — 42.3 and 13.6 percent, respectively.

B. Attitudes and Opinions of Single-Parent Families

Table 2.3 shows the attitudes, opinions, and preferences that single parents reported on the confidential Private Opinion Survey (POS) completed just prior to random assignment.[14] Of those who were not employed, 82.5 percent of long-term recipients and 75.3 percent of recent applicants reported that they faced at least one of five barriers to employment. Although sample members faced a number of barriers to employment, they most often cited the problems of arranging for child care (54.2 percent of long-term recipients and 47.4 percent of recent applicants). At the same time, however, the majority of single parents reported that they could find someone they trusted to take care of their children if they got a job (not shown in the table). It appears that the barrier of child care is related to other constraints, including financial problems, rather than to finding a suitable caregiver. Lack of transportation was also a significant barrier to work for half the long-term recipients and for more than a third of the recent applicants.

The POS data also indicate that the preferred activity of sample members was going to school to learn a job skill. Two out of five single parents chose this activity over staying home to take care of the family, studying basic reading and math, getting a part-time job, or getting a full-time job. The next most preferred activity was getting a full-time job, with more than one-quarter of sample members expressing such a preference. Only a small proportion of sample members said that they preferred to stay home. When given only the choice between a part-time job or a full-time job, over two-thirds of sample members preferred to work full time.

When asked about their reservation wage (the minimum pay per hour at which respondents would accept a job), with and without medical benefits, sample members indicated that they valued employer-provided benefits. This response suggests that sample members' employment decisions could have been affected by MFIP's financial incentives. The average reservation wage at which respondents would take a job with *no* medical benefits was about $11 per hour. This amount decreased, on average, by more than $2 if medical benefits were provided by the

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[14] Of those who were randomly assigned after the survey began, 16.6 percent refused to fill out the POS.

Table 2.3

Attitudes and Opinions of Single-Parent Families in the Sample, by Welfare Status at Random Assignment

Attitude or Opinion	Long-Term Recipients	Recent Applicants
Client-reported barriers to employment		
Among those not currently employed, percentage who agreed or agreed a lot that they could not work part time right now for the following reasons:[a]		
No way to get there every day	49.1	35.4
Cannot arrange for child care	54.2	47.4
A health or emotional problem, or a family member with a health or emotional problem	28.2	29.5
Too many family problems	27.5	30.1
Already have too much to do during the day	25.2	21.8
Any of the above five reasons	82.5	75.3
Client-reported preferred activities		
Given the following choices, percentage expressing a consistent preference for one of the following activities:[b]		
Staying home to take care of family	8.8	12.1
Going to school to learn a job skill	40.9	41.8
Going to school to study basic reading and math	4.2	4.8
Getting a part-time job	8.5	5.6
Getting a full-time job	31.5	29.9
Agreed or agreed a lot that they cannot go to school or job training program right now because they are afraid to leave children in daycare or with a baby-sitter (%)	18.7	15.8
Agreed or agreed a lot that children who go to daycare or preschool learn more than children who stay home with their mothers (%)	53.8	51.1
Percentage who, if they had a choice, would prefer to work at a:		
Part-time job	32.2	32.0
Full-time job	67.9	68.0
If someone offered client a full-time job with no medical benefits, minimum amount per hour at which the client would take the job ($)	11.34	10.67
If someone offered client a full-time job with full medical benefits, minimum amount per hour at which the client would take the job ($)	8.90	8.57
If someone offered client a full-time job with full medical benefits, and the welfare department would let client continue to get most of the welfare check, minimum for which the client would take the job ($)	7.69	7.28
Approximate average worth of employer-provided medical benefits per hour ($)	2.50	2.14

(continued)

Table 2.3 (continued)

Attitude or Opinion	Long-Term Recipients	Recent Applicant
If client could get $800 a month, plus Medicaid and free child care, percentage who would prefer:		
Getting all the money by working 40 hours a week	52.8	56.0
Getting half the money by working 20 hours a week	47.3	44.0
If client could keep most of the welfare check and also keep any money earned from a $6-an-hour job, number of hours she would want to work: (%)		
None	3.6	3.8
Less than 30	26.2	31.5
30 or more	70.2	64.7
Client job search		
How much have you been able to look for a job in the past three months? (%)		
Not at all	48.3	37.5
Some/a little	31.4	26.9
A moderate amount	13.0	21.3
A great deal	7.3	14.3
In the past 4 weeks, about how many employers, if any, did you contact (by telephone, mail, or in person) in order to apply for a job or ask about job openings? (%)		
None	74.7	67.6
Any	25.3	32.4
Client-reported attitudes toward welfare		
Percentage who agreed or agreed a lot with the following statements:		
I feel that people look down on me for being on welfare	65.2	56.8
I am ashamed to admit to people that I am on welfare	57.5	54.6
Right now, being on welfare provides for my family better than I could by working	61.1	56.2
I think it is better for my family that I stay on welfare than work at a job	18.8	16.1
Client-reported social support network		
Percentage who agreed or agreed a lot with the following statements:		
Among my family, friends, and neighbors, I am one of the only people who is on welfare	34.6	50.1
When I have trouble or need help, I have someone to talk to	76.0	81.8

(continued)

Table 2.3 (continued)

Attitude or Opinion	Long-Term Recipients	Recent Applicant
Client-reported sense of efficacy		
Percentage who agreed or agreed a lot with the following statements:		
I have little control over the things that happen to me	21.2	16.8
I often feel angry that people like me never have a chance to succeed	48.5	31.5
Sometimes I feel that I'm being pushed around in life	44.5	40.7
There is little I can do to change many of the important things in my life	32.6	25.5
All of the above	7.9	5.0
None of the above	27.8	38.6
Sample size (total = 9,217)	3,208	6,009

SOURCE: MDRC calculations using data from the Private Opinion Survey.

NOTES: The sample includes AFDC and MFIP group members who were randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps, were assigned to the AFDC/No Services group, or were missing required baseline information. Members of the AFDC group were potentially eligible for any programs that MFIP was designed to replace: AFDC; Minnesota's JOBS program, STRIDE; Family General Assistance (FGA); or Food Stamps.

Twenty-six percent of single-parent sample members did not fill out a Private Opinion Survey.

In most categories, individuals could agree or agree a lot with more than one statement. Multiple responses were not possible in the following item groupings: client-reported preferred activities, client-reported employment-related activities, and client-reported acceptable wages.

[a] Part time is defined as a minimum of 10 hours per week. Full time is defined as 40 hours per week.

[b] Percentages were calculated for those with a consistent preference.

employer, and it went down by an additional $1 when clients were presented with the scenario of keeping most of their welfare check while working full time with full medical benefits. Interestingly, recent applicants reported a lower reservation wage on average than long-term recipients, perhaps indicating either some additional reluctance on the part of long-term recipients to leave welfare for work or a lack of realism about the labor market.

Only small proportions of the sample conducted any type of job search activities recently. Four-fifths of long-term recipients reported that they had looked for a job only a little or not at all in the prior three months, and nearly half reported that they had not looked for a job at all. The proportions of recent applicants who reported any employment-related activities were slightly higher, perhaps because more of them had worked recently.

The majority of sample members felt that others looked down on them for being on welfare; they also said that they were ashamed to admit to anyone that they received welfare. Thus, the survey results suggest that one important feature of MFIP — the cashing-out of Food Stamp benefits — could have helped reduce stigma among recipients. Only a small minority believed that it was better for their families that they stay on welfare than work at a job, although the majority believed that welfare would provide for their family better than working. Unlike most recent applicants, but consistent with their long spells on welfare, most long-term recipients stated that they knew of other family members, friends, or neighbors who were receiving welfare. The majority of respondents also felt that they had some control over events in their lives and that they had the power to change many of the important aspects of their lives. On the other hand, more than one-fifth of recipients felt that they had little control over their lives; nearly half felt that people like themselves never succeed and are pushed around in life; and about one-third felt that they could do little to change important things in their lives.

Not surprisingly, recent applicants appear to be somewhat better off than long-term recipients in terms of their education, work history, and welfare history. Yet they still reported high levels of barriers to employment, especially child care and transportation problems. Recent applicants also demonstrated greater motivation to seek employment, and they reported more positive attitudes about themselves and their ability to take control over their lives. As discussed in Chapter 1, these differences in employment and welfare dynamics underlie MFIP's different program strategies for the two groups.

The next two sections take a similar look at the characteristics of two-parent families in MFIP, including their opinions and attitudes about welfare, at the time of random assignment.

C. Selected Characteristics of Two-Parent Families

This section primarily discusses the characteristics of two-parent recipient families and the differences between them and two-parent applicant families. In addition, some comparisons are made between two-parent families in MFIP and the national two-parent welfare caseload as well as between two-parent families and single-parent families in MFIP.[15] Recall that two-parent families are defined as families in which two parents (either biological or stepparent) were living in the home at the time of random assignment.

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[15] Recall that two-parent recipient families were ongoing welfare recipients who had been receiving welfare for at least one month when they entered the program.

Table 2.4 presents selected characteristics of two-parent families at the time of random assignment, as collected by the Baseline Information Form (BIF), which was completed by either parent. The majority of two-parent families reside in urban counties; however, a much higher proportion of two-parent than of single-parent families reside in rural counties. Among applicants, 38.6 percent of two-parent families are from rural counties, compared with only 16.3 percent of single-parent families (see Table 2.2). Of respondents from two-parent recipient families, 90.7 percent are female; 59.5 percent are white, non-Hispanic; 16.2 percent are black; and 16.0 percent are Asian/Pacific Islander. Most respondents in two-parent recipient families were married, living with a spouse (68.7 percent), but 24.2 percent were never married. The demographic characteristics of two-parent recipient families differ dramatically from the characteristics of two-parent applicant families. Only 78.0 percent of the latter respondents are female, 79.7 percent are white, and 78.8 percent were married, living with a spouse. In terms of race/ethnicity, two-parent recipient families in MFIP differ slightly from the national two-parent family caseload by being more likely to be white or black and less likely to be Hispanic.

Most of the two-parent families had at least one preschool-age child at random assignment; the majority of children were under age 3, or the client was pregnant. More than three-fourths of recipients and nearly three-fourths of applicants in two-parent families had children younger than 6. Two-parent families were also more likely than single-parent families to have preschool-age children, which is not surprising, because they were more likely to have more than one child.

A substantial portion of recipients in two-parent families had some kind of work experience. During the 12 months prior to random assignment, 59.2 percent had earned income. Although 15.1 percent were employed at the time of random assignment, 16.6 percent reported that they had never worked, and many had low levels of education. For example, 62.8 percent of recipients reported having completed education at the high school level or above, and the highest average grade completed was 11.

In contrast, applicants in two-parent families had much better preparation for employment, both in terms of employment history and in terms of education. Only 3.6 percent of applicants reported that they had never worked at the time of random assignment. This group's employment experience occurred during the 12 months prior to random assignment, reflecting the work history requirements to be eligible for welfare. Although only 21.2 percent of applicants reported any earnings in the 12 months prior to random assignment, it is important to keep in mind that the majority of respondents are female and were answering for themselves only; the earnings of a spouse are not reflected in their responses to this question. In comparison, in the 1995 national caseload, over 80 percent of women in two-parent families were not employed. Among applicants in two-parent families, 61.5 percent reported having a high school diploma or GED, and the average grade completed was 12.

As expected, in two-parent families, the majority of recipients (65.6 percent) were on welfare for two years or more, whereas the majority of applicants (74.4 percent) had no prior welfare history. The MFIP sample of recipients in two-parent families shows a much longer his-

Table 2.4

Selected Characteristics of Two-Parent Families in the Sample, by Welfare Status at Random Assignment

Characteristic	Recipients	Applicants
Demographic characteristics		
Geographic area (%)		
Hennepin County (Minneapolis)	52.4	37.2
Anoka/Dakota Counties	20.3	24.2
Rural counties	27.3	38.6
Gender of respondent (%)		
Female	90.7	78.0
Male	9.3	22.0
Average age (years)	31.2	30.6
Race/ethnicity (%)		
White, non-Hispanic	59.5	79.7
Black, non-Hispanic	16.2	7.2
Hispanic	2.7	4.3
Native American/Alaskan Native	5.6	2.2
Asian/Pacific Islander	16.0	6.6
Family status		
Marital status (%)		
Married, living with spouse	68.7	78.8
Cohabiting		
Never married	24.2	17.4
Married, living apart	1.8	0.7
Separated, currently cohabiting	0.2	0.1
Divorced, currently cohabiting	5.2	3.0
Widowed	0.1	0.0
Age of youngest child in years (%)		
Under 3, or client pregnant at the time of random assignment	55.2	61.1
3-5	22.3	12.8
6-18	22.5	26.1
Number of children (%)		
1	20.8	39.4
2	31.1	28.1
3 or more	46.3	30.7
Labor force status		
Worked full time for 6 months or more for one employer (%)	52.4	73.5
Any earnings in past 12 months (%)	59.2	21.2
Currently employed (%)	15.1	30.6
Average hourly wage[a] ($)	6.41	7.38
Average hours worked per week[b] (%)		
1-19	36.7	36.4
20-29	24.3	15.5
30 or more	38.9	48.2
Never worked (%)	16.6	3.6

(continued)

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Table 2.4 (continued)

Characteristic	Recipients	Applicants
Education status		
Highest credential earned (%)		
GED certificate[c]	12.6	10.4
High school diploma	38.9	51.1
Technical/2-year college degree	9.2	12.7
4-year college degree or higher	2.1	7.0
None of the above	37.2	18.9
Highest grade completed in school (average)	11	12
Prior welfare receipt		
Total prior AFDC receipt[d] (%)		
None	3.7	74.4
Less than 4 months	4.5	2.6
4 months or more but less than 1 year	13.0	8.7
1 year or more but less than 2 years	13.4	4.3
2 years or more but less than 5 years	30.5	6.4
5 years or more but less than 10 years	23.0	2.4
10 years or more	12.1	1.2
MFIP employment and training mandates[e]		
Met MFIP criteria for participation in mandatory employment and training services[f] (%)	71.5	5.2
Parent under age 20, no high school diploma/GED	2.9	4.8
Recipient of AFDC 24 of past 36 months	69.7	0.4
STRIDE eligibility[g]		
In STRIDE target group[f] (%)	57.4	22.2
Parent under age 24 (18-23), no high school diploma/GED	8.2	7.9
Parent under age 24 (18-23), limited work experience	14.7	17.2
Recipient of AFDC 36 of past 60 months	42.5	0.0
Youngest child age 16 or over	1.3	1.5
Housing status		
Current housing status (%)		
Public housing	7.6	2.1
Subsidized housing	17.8	3.4
Emergency or temporary housing	3.7	3.4
None of the above	70.8	91.1
Number of moves in the past 2 years (%)		
None	34.8	34.2
1 or 2	45.6	50.1
3 or more	19.6	15.8

(continued)

Table 2.4 (continued)

Characteristic	Recipients	Applicants
Current and recent education and training activities		
Currently enrolled in education or training[f] (%)		
Any type	20.3	12.3
GED preparation	2.6	0.7
English as a Second Language	5.7	1.6
Adult basic education	1.2	0.6
Vocational education/skills training	4.5	2.2
Post-secondary education	3.4	4.0
Job search/job club	3.0	2.1
Work experience	0.5	0.4
High school	0.7	1.5
If enrolled, program is part of a STRIDE plan	15.5	0.0
Enrolled in any type of education or training during the previous 12 months (%)	28.4	16.0
Sample size (total = 2,256)	1,523	733

SOURCE: MDRC calculations using data from Background Information Forms.

NOTES: The sample includes AFDC and MFIP group members who were randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps, were assigned to the AFDC/No Services group, or were missing required baseline information. Members of the AFDC group were potentially eligible for any programs that MFIP was designed to replace: AFDC; Minnesota's JOBS program, STRIDE; Family General Assistance (FGA); or Food Stamps.

One percent of two-parent sample members did not complete a Background Information Form.

[a] Calculated for those employed at the time of random assignment who reported an hourly wage. Twenty percent of those employed were excluded because they did not report an hourly wage.

[b] Calculated for those employed at the time of random assignment.

[c] The General Educational Development (GED) certificate is given to those who pass the GED test and is intended to signify knowledge of basic high school subjects.

[d] This refers to the total number of months an individual or her spouse has spent on AFDC at one or more periods of time as an adult. It does not include AFDC receipt under a parent's name.

[e] Only those assigned to the MFIP group were subject to these mandates.

[f] Totals may not equal all categories summed because some sample members may be in more than one category.

[g] Only those assigned to the AFDC group were subject to these rules.

tory on welfare than the national caseload in 1995, of which less than 40 percent of two-parent families had been continuously on welfare for two years or more.[16]

Only 29.1 percent of recipients in two-parent families resided in public, subsidized, or emergency housing. This proportion is much lower than the 42.3 percent of single-parent long-term recipients residing in such housing (see Table 2.2). Less than one-quarter of recipients in two-parent families were enrolled in any type of education or training activity when they entered MFIP.

D. Attitudes and Opinions of Two-Parent Families

Table 2.5 presents the attitudes, opinions, and preferences of two-parent families at the time of random assignment, as collected by the Private Opinion Survey (POS). The first panel of Table 2.5 presents client-reported barriers to employment. In two-parent families, 79.3 percent of recipients and 70.6 percent of applicants reported some kind of barrier to employment; similar to single-parent families, the most commonly cited barriers relate to child care and transportation.

The second panel of Table 2.5 presents client-reported preferred activities. The majority of both recipients (62.6 percent) and applicants (58.1 percent) expressed a preference either for going to school to learn a job skill or for getting a full-time job. A slightly higher proportion of applicants than of recipients expressed a preference for staying home to take care of the family (25.0 percent and 16.6 percent, respectively). Interestingly, the proportions of recipients and applicants in two-parent families who expressed a preference for staying home are double the proportions in single-parent families (see Table 2.3).

The average reservation wage for respondents in two-parent families was a little more than $10.50 per hour, and again this amount decreased by more than $2.00 when the job offered full medical benefits, and by an additional $1.00 when respondents were offered the option of keeping most of their welfare benefits while working full time. Under the latter two conditions, reservation wages were lower for recipients than for applicants, mainly because recipients valued medical benefits slightly more than applicants did.

Many recipients in two-parent families reported that people looked down on them for being on welfare (66.0 percent) or that they were ashamed to admit it (58.7 percent). However, 54.4 percent of recipients also agreed that currently being on welfare provided better for their family than working would. Applicants in two-parent families reported similar attitudes toward welfare.

The last two panels of Table 2.5 present client-reported social support networks and respondents' sense of efficacy. Most recipients in two-parent families had some kind of support network: 79.5 percent reported having someone to talk to when help was needed. Yet more than two-thirds of them showed evidence of having a low sense of efficacy. Among recipients in two-parent families, 23.7 percent reported feelings of having little control over their life, 44.5 percent felt angry that people like themselves never have a chance to succeed, 45.7 percent felt that they were being pushed around in life, and 31.4 percent felt that they could do little to change impor-

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[16] Note, however, that the length of stay on welfare for recipients in the research sample is partly an artifact of the way random assignment was conducted. Because random assignment of recipients took place at annual recertification interviews, most recipients, by definition, should have been on welfare for at least one year at baseline.

Table 2.5

Attitudes and Opinions of Two-Parent Families in the Sample, by Welfare Status at Random Assignment

Attitude or Opinion	Recipients	Applicants
Client-reported barriers to employment		
Among those not currently employed, percentage who agreed or agreed a lot that they could not work part time right now for the following reasons:[a]		
No way to get there every day	41.7	26.1
Cannot arrange for child care	55.0	41.3
A health or emotional problem, or a family member with a health or emotional problem	33.0	28.9
Too many family problems	31.5	26.2
Already have too much to do during the day	30.0	25.9
Any of the above five reasons	79.3	70.6
Client-reported preferred activities		
Given the following choices, percentage expressing a consistent preference for one of the following activities:[c]		
Staying home to take care of family	16.6	25.0
Going to school to learn a job skill	35.8	29.9
Going to school to study basic reading and math	5.7	4.9
Getting a part-time job	8.3	5.1
Getting a full-time job	26.8	28.2
Agreed or agreed a lot that they cannot go to school or job training program right now because they are afraid to leave children in daycare or with a baby-sitter (%)	28.9	22.4
Agreed or agreed a lot that children who go to daycare or preschool learn more than children who stay home with their mothers (%)	48.9	41.8
Percentage who, if they had a choice, would prefer to work at a:		
Part-time job	40.7	41.4
Full-time job	59.3	58.6
If someone offered client a full-time job with no medical benefits, minimum amount per hour at which the client would take the job ($)	10.69	10.58
If someone offered client a full-time job with full medical benefits, minimum amount per hour at which the client would take the job ($)	8.20	8.42
If someone offered client a full-time job with full medical benefits, and the welfare department would let client continue to get most of the welfare check, minimum for which the client would take the job ($)	6.99	7.30
Approximate average worth of employer-provided medical benefits per hour ($)	2.56	2.15

(continued)

Table 2.5 (continued)

Attitude or Opinion	Recipients	Applicants
If client could get $800 a month, plus Medicaid and free child care, percentage who would prefer:		
Getting all the money by working 40 hours a week	52.2	60.0
Getting half the money by working 20 hours a week	47.8	40.0
If client could keep most of the welfare check and also keep any money earned from a $6-an-hour job, number of hours she would want to work: (%)		
None	4.4	5.1
Less than 30	31.1	29.0
30 or more	64.4	66.0
Client job search		
How much have you been able to look for a job in the past three months? (%)		
Not at all	43.4	40.3
Some/a little	30.7	26.8
A moderate amount	16.6	17.4
A great deal	9.3	15.5
In the past 4 weeks, about how many employers, if any, did you contact (by telephone, mail, or in person) in order to apply for a job or ask about job openings? (%)		
None	75.8	70.3
Any	24.2	29.7
Client-reported attitudes toward welfare		
Percentage who agreed or agreed a lot with the following statements:		
I feel that people look down on me for being on welfare	66.0	56.8
I am ashamed to admit to people that I am on welfare	58.7	56.2
Right now, being on welfare provides for my family better than I could by working	54.4	50.6
I think it is better for my family that I stay on welfare than work at a job	21.4	11.9
Client-reported social support network		
Percentage who agreed or agreed a lot with the following statements:		
Among my family, friends, and neighbors, I am one of the only people who is on welfare	37.6	52.8
When I have trouble or need help, I have someone to talk to	79.5	86.6

(continued)

Table 2.5 (continued)

Attitude or Opinion	Recipients	Applicants
Client-reported sense of efficacy		
Percentage who agreed or agreed a lot with the following statements:		
I have little control over the things that happen to me	23.7	23.4
I often feel angry that people like me never have a chance to succeed	44.5	32.7
Sometimes I feel that I'm being pushed around in life	45.7	41.4
There is little I can do to change many of the important things in my life	31.4	28.8
All of the above	8.1	7.1
None of the above	28.9	37.0
Sample size (total = 2,256)	1,523	733

SOURCE: MDRC calculations using data from the Private Opinion Survey.

NOTES: The sample includes AFDC and MFIP group members who were randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps, were assigned to the AFDC/No Services group, or were missing required baseline information. Members of the AFDC group were potentially eligible for any programs that MFIP was designed to replace: AFDC; Minnesota's JOBS program, STRIDE; Family General Assistance (FGA); or Food Stamps.

Thirty-one percent of two-parent sample members for this report did not fill out a Private Opinion Survey.

In most categories, individuals could agree or agree a lot with more than one statement. Multiple responses were not possible in the following item groupings: client-reported preferred activities, client-reported employment-related activities, and client-reported acceptable wages.

[a] Part time is defined as a minimum of 10 hours per week. Full time is defined as 40 hours per week.

[b] Percentages were calculated for those with a consistent preference.

tant things in their life. Slightly more applicants in two-parent families reported having someone to talk to when help was needed (86.6 percent, compared with 79.5 percent of recipients), and fewer applicants reported a low sense of efficacy (63.0 percent compared with 71.1 percent of recipients).

E. Summary

The characteristics of single-parent and two-parent families in the MFIP evaluation differed somewhat, which possibly could have led to different outcomes for the two types of families — beyond differences attributed to the rules of the program. On the other hand, single- and two-parent families expressed similar opinions and attitudes, indicating they might respond to the program in similar ways.

For the most part, sample members expressed some interest in working. The majority of respondents also reported that they felt that welfare would provide for their families better than working would. However, at the time of random assignment, their barriers to employment included the need for child care and transportation. Given MFIP's package of generous financial incentives, including child care supplements, the program could have made a difference. By assisting these families with their barriers to work and supplementing their earnings, MFIP might make work pay better than welfare.

Next, Chapter 3 will present the effects of MFIP on participation in employment and training services. Then separate chapters will present the impacts of MFIP for each subgroup: single-parent long-term recipients (Chapter 4), single-parent recent applicants (Chapter 5), and two-parent families (Chapter 6). Results of the benefit-cost analysis for MFIP are presented in Chapter 7.

Chapter 3

MFIP's Effects on Single Parents' Participation in Employment and Training Services and on Their Educational Attainment

I. Introduction

The Minnesota Family Investment Program (MFIP) treatment model included two major components — (1) financial incentives to work that were offered to all MFIP group members and (2) a requirement that long-term recipients who were not employed participate in employment and training services.[1] The program's designers expected that MFIP would change patterns of participation in employment and training services in two ways: It would increase the likelihood that single parents would participate in employment and training activities, and those services would emphasize moving participants into employment more quickly than did the services offered through the STRIDE program for recipients of Aid to Families with Dependent Children (AFDC). This chapter examines whether MFIP met these two goals and whether, in doing so, it created a substantial difference in the employment and training treatment received by members of the MFIP group relative to the AFDC group.

Earlier MFIP reports have presented detailed evidence that the program succeeded in shifting the focus of the welfare system toward employment, with staff in the MFIP program providing a stronger work message than the AFDC system.[2] The program's financial incentives seemed to play an important role in convincing financial workers, employment and training workers, and members of the MFIP group that moving relatively quickly to employment would be beneficial to families.

By the 12-month follow-up point, MFIP had increased participation in employment and training services for long-term recipients in urban counties, particularly participation in short-term employment-related activities. However, MFIP had not increased participation in services for new applicants, who had not yet begun to reach the time trigger for mandatory services by the time of the 12-month survey.

The present chapter extends the information available in earlier reports and focuses on patterns of participation in employment and training services. By drawing on the 36-month client survey described in Chapter 2, it provides information about the MFIP group's participation in activities over a longer time than the 12-month follow-up period that was available for the 1997 interim report. This will extend the evaluation of MFIP's effects for long-term recipients as well as assess whether the participation mandate began to affect the activities of recent applicants once they began reaching the time trigger for mandatory services. In addition, whereas the 12-

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[1] Single parents were exempt from this requirement if they were working at least 30 hours per week, if they had a child under age 6 and were working at least 20 hours per week, or if they had a child under age 1. Once a person was subject to the participation requirements, employment of at least 20 hours per week generally satisfied the mandates, although staff were expected to encourage part-time workers to strive toward working at least 30 hours per week.

[2] Knox, Brown, and Lin, 1995; Miller et al., 1997.

month survey was conducted only in the urban counties, the 36-month survey provides the evaluation's first information about participation in services in the rural counties and also provides information about the attainment of educational credentials.

II. Data, Methods, and Outcomes

The participation analysis presented in this chapter generally follows the analytical framework used by the Manpower Demonstration Research Corporation (MDRC) in its previous studies of welfare-to-work programs. The tables describe the proportion of sample members who participated in employment and training activities and the proportion of sample members who obtained specific educational degrees or diplomas during the follow-up period.

Sample members' participation in activities is presented from two perspectives. First, the tables present the proportion of sample members who ever enrolled in the employment and training program offered by MFIP or by STRIDE. A sample member is defined as enrolling in such services if she stated on the survey that, since random assignment, she met with an MFIP or STRIDE employment and training case manager and made an agreement about her goals and the steps she would take to get a job.

Second, the tables present the proportion of sample members who participated in any employment or training activities. A sample member is doing so if she attended a job search, education, or training activity for at least one day within the follow-up period for this study — the 36 months since random assignment. These calculations exclude participation in MFIP or AFDC program orientations, appraisals, or other meetings with staff, under the assumption that recipients who took part in such activities as job clubs or training courses received the most direct exposure to the program treatment.[3] Because data were collected through the survey rather than through MFIP or STRIDE program records, these estimates reflect all activities in which sample members participated, including both activities to which they were referred and activities that they pursued voluntarily in the community.

By presenting both types of information — enrollment in either MFIP's or STRIDE's employment and training program as well as participation in specific activities, whether or not through MFIP or STRIDE — the chapter provides two perspectives on employment-related activities. Because sample members could pursue education or training on their own even in the absence of MFIP or STRIDE, these two perspectives might give contrasting pictures of MFIP's effectiveness at increasing participation in activities. For example, if members of the AFDC group were more likely than members of the MFIP group to pursue activities in the community voluntarily, then the program might succeed in increasing enrollment in activities sponsored by MFIP or STRIDE but not in increasing activities overall. (This was a real possibility, because the MFIP group faced a participation mandate and therefore had a strong incentive to pursue activities through MFIP's employment and training program, even if they were no more likely than the AFDC group to participate in activities.) In addition, MFIP and STRIDE providers are interested in enrollment data to learn how many sample members they actually served in their employment and training programs.[4]

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[3] A person who stopped attending a job club or other activity after only one day probably did not receive a strong program treatment. Most participants, however, attended for considerably longer than one day.

Finally, it is important to note that Tables 3.1 to 3.5 present average participation rates and educational attainment for all study group members, including those who never started an employment-related activity. Thus, these tables assess the extent to which the entire sample received particular services or attained a degree.

III. Expected Effects of the MFIP Employment and Training Model

Before summarizing MFIP's effects on participation, it is useful to review how MFIP's employment and training services were intended to differ from those offered to the AFDC group.

A. Mandatory Versus Voluntary Participation

The most basic difference between the services provided to the MFIP group and the STRIDE services offered to the AFDC group was that MFIP services were mandatory and STRIDE services were not. This distinction between the two models was much sharper for long-term recipients than for recent applicants. Because long-term recipients in the MFIP group had already been on welfare for 24 of the past 36 months, by definition they were required to participate in employment and training activities immediately. However, recent applicants who were assigned to MFIP were not required to participate in services until their time on welfare (before or after random assignment) totaled 24 of the past 36 months. While waiting to reach this time trigger, they could seek out services in the community; and after the first year of start-up for the field trials, they could volunteer for MFIP services if they wished to participate before reaching the mandatory time trigger.

In contrast, after first applying for welfare, single parents who were randomly assigned to the AFDC group faced no participation requirement other than attendance at a STRIDE orientation.[5] They could, however, volunteer for education or training programs in the community or could receive services through STRIDE.[6]

The difference in MFIP rules for long-term recipients and recent applicants meant that the rise in participation under MFIP was expected to be more pronounced for long-term recipients. In fact, it was uncertain whether MFIP would cause an increase in participation among recent applicants, because for them any increase in participation in employment and training activities would depend on the proportion who remained on welfare long enough to become mandatory participants.

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[4] Moreover, in the benefit-cost analysis (see Chapter 7), certain staff costs accrue only to education and training activities provided through MFIP or STRIDE, not to services pursued individually in the community.

[5] In most counties, instead of an in-person orientation, applicants who were not in a STRIDE target group were given written information about the program.

[6] As pointed out in Chapter 2, because one STRIDE target group was composed of parents who had been on welfare for at least 36 of the past 60 months, long-term recipients in the AFDC group were more likely than recent applicants to be eligible for STRIDE services.

Note that even if MFIP did not have a time trigger for participation, it is likely that differences in caseload dynamics between long-term recipients and recent applicants would cause participation rates to differ between these groups. Many welfare recipients go on and off welfare, often leaving without any special intervention. Some people, for example, get jobs on their own or get married. To the extent that this occurred before a sample member entered her first activity, it would lower the group's overall participation rate. Thus, participation rates are not expected to reach 100 percent, even for mandatory groups. Moreover, lower participation rates are expected for recent applicants, who tend to leave welfare and go to work more quickly than long-term recipients.

It is also possible that informing applicants about the program's requirements long before they become mandatory could affect applicants' decisions about working or welfare in ways that do not increase participation rates but do help to meet the program's goals. For example, recipients who want to avoid the participation requirement might find employment or leave welfare sooner than they would otherwise, lowering the program's participation rate if these actions are taken prior to entering an activity.

B. Menu of Services Under MFIP and Under STRIDE

The services offered under MFIP and under STRIDE had many similarities but also some clear distinctions. Both programs were structured to fit the case management model, in which a case manager monitors the participation of a set of participants and provides advice along the way. Both programs offered a range of services that included career exploration workshops, job search workshops, and education and training programs. In fact, in most counties the same service providers ran both programs, but they used distinct case management staff for each. Moreover, in smaller counties, many workshops included participants from both programs, simply to provide economies of scale, and participants from either program might attend the same education or training activity.

Although the menu of services was theoretically similar under MFIP and STRIDE, participants in the two programs would ultimately be directed toward very different activities — if MFIP were implemented as expected. MFIP service providers were explicitly asked to provide a mix of activities that would move participants into employment more quickly than had been the case under STRIDE. The STRIDE program had traditionally focused on enrolling recipients in long-term education and training courses, such as a two-year college degree, that would raise participants' skills — and, in turn, their wages — enough to lead to self-sufficiency. The MFIP program did *allow* education or training activities for those who were already participating in them or who could demonstrate a clear set of achievable career goals; in fact, it encouraged basic education for MFIP group members who lacked a high school diploma or GED.[7] MFIP's mission, however, was to emphasize shorter-term services that lead directly to a job and eventual self-sufficiency.

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[7] Members of the MFIP group who entered education programs were routinely encouraged to work part time as they studied. In STRIDE, this policy became a formal rule midway through the field trials, in July 1995, when the program shifted toward shorter-term services.

The sequence of activities in STRIDE often began with a one-week career exploration workshop that allowed participants to discuss different types of occupations, identify jobs that matched their interests, and learn about the local labor market and education and training resources prior to developing an individual employment plan. STRIDE participants typically emerged from these workshops with the goal of enrolling in an education or training program. Although the MFIP program also used career exploration workshops, they were often offered as supplements to more employment-focused job search classes. In addition, MFIP participants who had a clear idea of the job they wanted could go straight into job search without attending a career workshop.

Most counties offered both MFIP and STRIDE participants three types of formal job search activities: job search workshops, job club, and individual job search. Job search workshops typically ran for one or two weeks and taught participants such skills as how to conduct a job search, fill out an application, write a résumé, and take part in a job interview. Single parents who already had these skills were often enrolled in an individual job search, perhaps supplemented by a weekly job club in which participants met with a facilitator for advice and support. The job club often met in a resource room where participants could use local directories, job listings, newspapers, telephones, computers, and other resources and equipment.

C. MFIP's Expected Effects on Educational Attainment

The two aspects of MFIP's employment and training services that are expected to affect participation rates — the mandate and the employment focus — could also affect individuals' likelihood of attaining educational credentials. Thus, the tables in this chapter provide information on the extent to which MFIP affected sample members' attainment of high school diplomas, General Educational Development (GED) certificates, trade licenses, and college degrees. MFIP's expected effects on educational attainment are ambiguous. On the one hand, MFIP's emphasis on quicker employment might discourage people from participation in education or training programs that lead to credentials. On the other hand, the participation mandate might encourage those MFIP group members who do participate in education or training programs to stay in them and complete them.[8]

IV. Summary of MFIP's Effects on Single Parents' Participation

Table 3.1 presents a summary of MFIP's effects on participation in employment and training activities for single parents in the AFDC and MFIP groups. Results for long-term recipients appear in the upper panel — first for urban counties, then for rural counties, and then for all counties combined. For example, among long-term recipients in urban counties who were assigned to the MFIP group, 80.3 percent participated in at least one employment and training activity within the 36-month follow-up period. The lower panel presents results for recent applicants in single-parent families. Subsequent tables summarize the separate findings for each of the single-parent groups — long-term recipients in urban and in rural counties and recent applicants in urban and in rural counties.

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[8] In fact, in field interviews, STRIDE staff expressed a particular concern about the problem of retaining individuals in a voluntary program.

Table 3.1

Summary of MFIP's Impacts on Participation in Employment and Training Activities for Single Parents

	Urban Counties			Rural Counties			All Counties[a]		
Outcome (%)	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)
Long-term recipients									
Ever participated in any employment or training activity	80.3	60.6	19.7 ***	74.9	58.5	16.4 **	79.6	60.2	19.4 ***
Short-term employment-related activities	64.6	34.7	29.9 ***	59.7	40.4	19.3 ***	64.2	35.3	28.9 ***
Education or training activities	48.8	47.8	1.0	46.1	45.0	1.2	48.6	47.1	1.5
Sample size (total = 976)	372	352		116	136		488	488	
Recent applicants									
Ever participated in any employment or training activity	61.5	60.1	1.5	59.4	55.0	4.3	60.7	59.9	0.8
Short-term employment-related activities	34.7	28.6	6.1 **	37.1	30.7	6.4	35.0	29.0	6.0 **
Education or training activities	44.2	47.7	-3.5	47.4	47.6	-0.2	44.1	48.4	-4.3
Sample size (total = 1,278)	514	492		151	121		665	613	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] A higher fraction of the caseload in the rural counties than the urban counties was randomly assigned into the evaluation, meaning that the rural counties are over-represented in the full evaluation sample. To account for this when estimating impacts for urban and rural counties combined, the long-term recipients in rural counties were weighted down by a factor of .56, and the recent applicants in rural counties were weighted down by a factor of .66.

- **For long-term recipients in single-parent families, MFIP produced substantial increases in participation in employment and training activities.**

As shown in the top right-hand columns of Table 3.1, the majority of AFDC long-term recipients (60.2 percent) reported that they had volunteered for at least one activity during the 36-month follow-up period. The participation rate for MFIP long-term recipients (79.6 percent) represents a 19.4 percentage point increase over the AFDC rate. This increase occurred among single parents in both urban and rural counties, although the increase was somewhat larger in urban counties.[9]

- **For recent applicants in single-parent families, MFIP did not increase overall participation in employment and training activities, but it did increase the use of short-term employment-related activities (career workshop or job search).**

Given the program design, for single parents it was expected that MFIP would have smaller impacts on the participation rates of recent applicants than of long-term recipients. In fact, analyses not shown indicate that only about 20 percent of recent applicants had even reached the time trigger for mandatory services at two years after random assignment, and only about half had reached the time trigger when the 36-month survey was conducted.[10] In addition, some of those who reached the time trigger with respect to their stay on welfare would have been exempt due to employment. Thus, it is clear that, by the time of the survey, a much smaller proportion of recent applicants than of long-term recipients would have been directly affected by the participation mandate. Nevertheless, MFIP did increase the use of short-term activities for recent applicants in single-parent families. The fact that there was no accompanying increase in participation overall suggests that MFIP primarily increased the use of formal job search services by individuals who had also participated in other activities.

- **Among single parents, MFIP met its goal of focusing on the use of short-term employment-directed activities.**

Among single parents, MFIP increased the use of short-term employment-related activities for both long-term recipients and recent applicants, while it neither increased nor decreased the use of education programs. For the combined sample of long-term recipients, the MFIP group was 28.9 percentage points more likely to participate in employment-directed activities than the control group; and for the combined sample of recent applicants, participation in these activities increased by 6.0 percentage points relative to the AFDC group.

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[9] When urban and rural counties are combined, results are weighted to reflect the relative size of urban and rural caseloads during the random assignment period, because applicants and recipients in urban counties were undersampled during the random assignment process.

[10] These estimates are based on analysis of automated MFIP and AFDC records, which provide information on welfare receipt for individuals in the research sample in each month following random assignment. Because these records are available only for one year *prior* to random assignment, however, most, but not all, recent applicants could be tracked from the first month that they entered the welfare system. Thus, these are "lower-bound" estimates of the percentages who reached the time trigger within the specified periods.

As seen in the lower panel of Table 3.1, the size of the increase in employment-related activities for recent applicants is similar for the combined sample, for urban counties, and for rural counties, even though the impacts are statistically significant only for the combined sample and for urban counties. In rural counties, the small sample size makes it difficult to detect effects at the level of precision needed to achieve statistical significance.

V. Effects on Participation for Long-Term Recipients in Single-Parent Families

A. Long-Term Recipients in Urban Counties

Table 3.2 presents the participation patterns for single-parent long-term recipients in urban counties. The first three columns present the outcomes for members of the three research groups in urban counties — MFIP, MFIP Incentives Only, and the AFDC group. The fourth column presents the impacts of the full MFIP program compared with the AFDC system, by showing the differences in outcomes between the MFIP and AFDC groups. The section begins by discussing the overall impacts of the full MFIP program as presented in this fourth column. It then decomposes the program's overall effects into the contributions of the financial incentives alone (the fifth column) and the added mandatory services (the sixth column).

1. Effects of the Full MFIP Program on Overall Participation Rates. Among the groups examined, MFIP had the largest impacts on participation rates for single-parent long-term recipients in urban counties. The first row of Table 3.2 presents the proportion of each research group who reported that they had enrolled in either the MFIP employment and training program or the STRIDE program, in the 36 months since random assignment.[11] As shown in the top row of Table 3.2, 79.3 percent of urban long-term recipients in the MFIP group reported that they had enrolled in MFIP or STRIDE, compared with only 43.0 percent of the AFDC group; MFIP increased the proportion of single parents who had contact with either of the two employment and training systems by 36.3 percentage points. (In addition, although not shown in the table, members of the MFIP group who enrolled in services reported an average length of enrollment of 20 months, compared with only 10 months for members of the AFDC group who reported enrollment in STRIDE.)

Single-parent long-term recipients in the MFIP group were also 20.4 percentage points more likely than their AFDC counterparts (80.9 percent compared with 61.1 percent) to have participated in at least one employment or training activity — which could have been through MFIP, STRIDE, or some other community service provider — within the 36-month follow-up.

The different impacts between enrollment in MFIP or STRIDE and participation in any activity occurred because a very high proportion of MFIP group members who participated in any activity did so by enrolling in the MFIP employment and training program, while a substantial number of AFDC group members participated in community activities without enrolling in

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[11] As mentioned earlier, the survey actually asked respondents whether they had ever participated in MFIP or STRIDE case management — for example, meeting with a case manager and discussing goals and plans for employment. Because all MFIP and STRIDE enrollees participated in case management, this question was used as a proxy for enrollment in MFIP or STRIDE.

Table 3.2

MFIP's Impacts on Participation in Employment and Training Activities and Educational Attainment for Single-Parent Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome (%)	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Employment and training activities						
Ever enrolled in MFIP or STRIDE employment and training program	79.3	34.7	43.0	36.3 ***	-8.3 **	44.6 ***
Ever participated in any employment or training activity	80.9	61.1	60.5	20.4 ***	0.6	19.8 ***
Short-term employment-related activities	65.8	36.0	34.6	31.2 ***	1.5	29.8 ***
Career workshop	41.0	23.1	21.5	19.5 ***	1.6	17.9 ***
Group job search	50.2	21.3	20.0	30.2 ***	1.3	28.9 ***
Individual job search	42.0	9.9	11.5	30.5 ***	-1.6	32.1 ***
Any education and training activity	48.8	46.5	47.9	1.0	-1.4	2.3
Basic education	18.9	19.8	22.4	-3.6	-2.6	-0.9
Post-secondary education	23.5	21.7	22.3	1.2	-0.7	1.9
Vocational training	15.8	13.8	13.7	2.1	0.0	2.0
On-the-job training/work experience	5.4	6.8	3.4	2.0	3.4 **	-1.3
Obtained degree or diploma since random assignment						
High school diploma or GED	7.8	6.3	7.9	-0.1	-1.6	1.5
Trade license	9.0	6.7	6.6	2.4	0.1	2.3
College or university degree	4.7	6.1	5.0	-0.4	1.1	-1.4
Associate's degree	2.3	5.1	2.3	0.0	2.8 **	-2.8 **
Bachelor's degree	2.2	0.7	1.7	0.5	-1.0	1.5
Sample size (total = 1,090)	372	366	352			

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

STRIDE. It is logical that single parents in the AFDC group would be more likely to find services on their own, because their participation in STRIDE was voluntary.[12] In contrast, because MFIP's services were mandatory for long-term recipients in the MFIP group, it was in their interest to sign up for activities through the MFIP program rather than independently.

It is worth noting that MFIP staff achieved this increase in participation rates despite a sanction for noncompliance (10 percent of the grant) that was much smaller than sanctions imposed in many states under Temporary Assistance for Needy Families (TANF). Field research and interviews with program staff presented in earlier reports help to shed light on *how* MFIP increased participation rates for long-term recipients.[13] MFIP staff were generally positive and upbeat in presenting MFIP as an opportunity for clients; although they did inform clients that there would be a 10 percent sanction for not following through with mandated activities, they were not heavy-handed. Over time, however, some workers who initially were reluctant to sanction people came to the view that it was most effective to follow up quickly with clients who were not complying, noting that some clients responded only after receiving an "intent to sanction" notice in the mail. As reported in the interim report, about 22 percent of long-term recipients in the MFIP group were sanctioned at some point during the first 12 months after random assignment.[14]

Thus, both in initial presentations and in following up, workers actively used the program's mandate as a tool for engaging clients who would not otherwise have volunteered for employment and training services. (Interestingly, as policymakers began to design Minnesota's statewide program, MFIP-S, the consensus among many workers was that a larger sanction was needed in order to motivate the clients who were most difficult to work with, some of whom simply accepted the 10 percent sanction in exchange for not participating in program activities or working.)

2. Effects of the Full MFIP Program on Participation in Specific Activities. Consistent with MFIP's mission to move the employment and training system toward a stronger employment focus, MFIP had the most substantial impact on single parents' participation in short-term employment-related activities such as career workshops, group job search, and individual job search. Compared with long-term recipients in the AFDC group, members of the MFIP group were about twice as likely to have participated in a career exploration workshop, in which counselors helped participants assess their job skills and set goals for employment, and more than twice as likely to participate in group job search (classes or job club) and individual job search activities.[15]

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[12] Although there were advantages to enrolling in activities through STRIDE rather than on one's own — such as reimbursement for child care expenses and career counseling and case management services — there were also disadvantages. For example, after mid-1995, participants who entered STRIDE voluntarily could be sanctioned if they did not follow through on the employment plan that they had developed with their STRIDE case manager.

[13] Knox, Brown, and Lin, 1995, p. 48.

[14] The 36-month survey did not collect information about sanctions.

[15] Because of small sample numbers of respondents enrolling in each activity, the survey provides only limited information on the length of stay in activities. However, the average stay in individual job search or job club was about 3.5 months (across all single parents in the MFIP and AFDC groups who reported participating in these activities).

Among single parents, as expected, MFIP neither increased nor decreased long-term recipients' participation in education or training activities. As indicated in Table 3.2, MFIP recipients participated in basic education activities (services aimed at either completing a GED or high school diploma or learning English as a Second Language) at the same rates as their AFDC counterparts (18.9 percent compared with 22.4 percent).[16] The participation rates of MFIP and AFDC recipients are also similar for post-secondary education and for vocational training.[17] Consequently, recipients in the MFIP group were not any more or less likely to obtain an educational diploma or degree than their AFDC counterparts. Note that if MFIP had not allowed long-term recipients to continue in programs that they had begun before becoming mandatory participants, the MFIP group may have been more likely to decrease their education and training.

3. Effects of Financial Incentives Versus Adding Mandatory Services. The two right-hand columns of Table 3.2 disentangle the effects of MFIP's financial incentives on participation rates from the effects of adding mandatory services. The fifth column shows the impacts of the financial incentives alone, by estimating the differences in outcomes for the MFIP Incentives Only group (who received financial incentives but no mandatory services) and the AFDC group. Finally, the sixth column shows the incremental impacts of adding the mandatory services to the financial incentives, by comparing outcomes for the MFIP group (who received the financial incentives *and* were subject to the participation mandate) with outcomes for the MFIP Incentives Only group.

While members of the MFIP group received the financial incentives *and* were subject to the participation mandates, members of the MFIP Incentives Only group received no mandatory services but were allowed to volunteer for the same STRIDE services as members of the AFDC group, making their employment and training treatment nearly identical to that of the AFDC group. It is possible, however, that the increased payoff from employment arising from the financial incentives could have led the Incentives Only group to make different decisions than the AFDC group about volunteering to participate in activities or about the types of services they would pursue once they volunteered. Nevertheless, the results presented in the fifth column of Table 3.2 indicate that MFIP's financial incentives alone had little effect on participation patterns.

Single parents in the MFIP Incentives Only group were, in fact, somewhat less likely to report that they had enrolled in MFIP or STRIDE employment and training services than single parents in the AFDC group (34.7 percent and 43.0 percent, respectively). It is possible that members of the MFIP Incentives Only group went to work rather than participating in STRIDE. (If this were the case, however, they should also have had reduced rates of participation in any education or training activity. Instead, rates of participation in activities are nearly identical for the two groups.) It is also possible that some members of the MFIP Incentives Only group were misinformed about their eligibility for STRIDE, because the rules for this group were less straightforward than the rules for the MFIP and AFDC groups.

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[16] Among urban single parents, members of the MFIP and AFDC groups who participated in basic education stayed for similar lengths of time — approximately 4.7 months for MFIP group members and 4.3 months for AFDC group members (long-term recipients and recent applicants combined).

[17] Consistent with STRIDE's focus on longer-term educational activities, members of the AFDC group who participated in post-secondary education stayed somewhat longer in those activities than members of the MFIP group (5.7 and 4.5 months, respectively). However, the opposite was true for vocational training: Among urban single parents, long-term recipients and recent applicants together in the MFIP group stayed for 4.5 months, compared with approximately 3.1 months for the AFDC group.

Table 3.2 shows two impacts of the MFIP incentives, both small in magnitude, that are somewhat puzzling. First, single parents in the MFIP Incentives Only group show a small (3.4 percentage point) increase in participating in on-the-job training and work experience, compared with the AFDC group. A partial explanation for this fact comes later, in Chapter 4: Members of the Incentives Only group were somewhat more likely to marry, and on-the-job training and work experience are typically used more for two-parent than for single-parent families. At the same time, however, the modest increase in marriage seems unlikely to account for all this increased participation in the two activities.

The small (2.8 percentage point) increase in completion of an associate's degree among single parents in the Incentives Only group relative to the AFDC group is also surprising, because there was essentially no difference in participation in post-secondary education programs among the research groups. It is possible that MFIP's financial incentives could increase the chances of completing a college degree by improving one's financial stability and allowing one to attend school more consistently. However, analyses not shown indicate that members of the Incentives Only group attended post-secondary education for similar lengths of time as members of other research groups.

Overall, the findings presented in the far-right column of Table 3.2 indicate that, as one would expect, the effects of the full MFIP program on participation in employment and training activities were nearly all caused by the incremental effects of adding the mandatory services to the financial incentives. Thus, these findings provide evidence that offering an incentive to work does not, by itself, affect the decision to participate in employment and training activities but that combining financial incentives with a mandate to participate in employment-focused services does.

B. Long-Term Recipients in Rural Counties

Table 3.3 presents patterns of participation for single-parent long-term recipients in the rural counties. As discussed in Chapter 2, due to the relatively small numbers of applicants and recipients in rural counties, rural sample members were randomly assigned only to either the MFIP or the AFDC group. Table 3.3 indicates that MFIP's effects on rural long-term recipients' participation in employment and training activities were roughly similar to the effects reported in Table 3.2 for their urban counterparts. For example, the increase in enrollment in MFIP or STRIDE services for rural long-term recipients in the MFIP group (34.6 percentage points) was similar to the increase reported for urban areas (36.3 percentage points), as was the increase in participation in any activities (16.4 percentage points in rural counties versus 20.4 percentage points in urban counties).

In rural counties, MFIP also increased single parents' participation in short-term employment-directed activities, although the effects of the program were somewhat smaller than in urban counties. In theory, smaller effects could result either from lower participation rates for MFIP group members or from higher participation rates for AFDC group members in rural coun-

Table 3.3

MFIP's Impacts on Participation in Employment and Training Activities and Educational Attainment for Single-Parent Long-Term Recipients in Rural Counties

Outcome (%)	MFIP	AFDC	Impact (Difference)
Employment and training activities			
Ever enrolled in MFIP or STRIDE employment and training program	79.6	45.0	34.6 ***
Ever participated in any employment or training activity	74.9	58.5	16.4 **
Short-term employment-related activities	59.7	40.4	19.3 ***
Career workshop	37.3	26.2	11.0 *
Group job search	38.4	24.3	14.2 **
Individual job search	39.2	17.7	21.5 ***
Any education and training activity	46.1	45.0	1.2
Basic education	12.8	11.5	1.3
Post-secondary education	23.9	21.5	2.4
Vocational training	13.9	19.4	-5.5
On-the-job training/work experience	6.2	5.8	0.4
Obtained degree or diploma since random assignment			
High school diploma or GED	6.3	3.0	3.3
Trade license	6.3	5.1	1.3
College or university degree	8.5	7.0	1.5
Associate's degree	3.3	2.2	1.2
Bachelor's degree	4.3	2.6	1.7
Sample size (total = 252)	116	136	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

ties than in urban counties. For most activities, the smaller impacts reflect a combination of these two trends. In the case of individual job search, for example, fewer AFDC group members participated in urban counties than in rural counties (11.5 versus 17.7 percent), while a higher proportion of MFIP group members participated in urban counties than in rural counties (42.0 versus 39.2 percent) — both contributing to higher impacts in urban than in rural counties (30.5 versus 21.5 percentage points).

VI. Effects on Participation for Recent Applicants in Single-Parent Families

As mentioned earlier, MFIP's effects on participation rates for recent applicants depended in large part on the proportion of applicants who remained on welfare for at least 24 months. By the end of month 24, only about 20 percent of recent applicants had received assistance for 24 months, and by the end of the 36-month follow-up, only about half (54 percent) were subject to the participation mandate. Because some time elapses between becoming mandatory, being notified to report to MFIP employment and training services, and actually participating in an activity, somewhere between 20 and 50 percent of single-parent recent applicants became mandatory within a time period that would allow them to respond to the mandate and that would allow any impact on participation to appear on the 36-month follow-up survey. Moreover, as mentioned earlier, some proportion of recent applicants would have been working at least 30 hours per week while on welfare, exempting them from the participation requirements even though they had been on welfare for 24 months.

A. Recent Applicants in Urban Counties

1. Effects of the Full MFIP Program. As shown in the top row of Table 3.4, recent applicants in the MFIP group did enroll in MFIP employment and training services at a higher rate than recent applicants in the AFDC group enrolled in STRIDE (46.6 versus 22.2 percent, respectively).[18] However, as shown in the second row of Table 3.4, the rates at which recent applicants participated in *any* employment or training activities, including services in the community, did not differ between the two groups. The most likely explanation for this pattern is that the bulk of participation in employment and training services by recent applicants in both the MFIP and the AFDC groups would have occurred even without the participation mandate. Therefore, enrolling in mandatory MFIP services may have added activities to the ones in which recent applicants had already participated, or it may have incorporated their existing activities under the rubric of MFIP services, without altering the likelihood that members of the MFIP group had "ever participated" in activities.

The results presented in Table 3.4 do indicate that, by the 36-month follow-up point, single-parent recent applicants in the MFIP group were significantly more likely than their AFDC counterparts to have participated in formal job search services. Because, as mentioned above, members of the MFIP group were not more likely to have participated in "any" employment or

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[18] Note that within the AFDC group, recent applicants were much less likely than long-term recipients to enroll in STRIDE (even though their participation rates in activities are similar) because recent applicants were less likely to fall into a STRIDE target group.

Table 3.4

MFIP's Impacts on Participation in Employment and Training Activities and Educational Attainment for Single-Parent Recent Applicants in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome (%)	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Employment and training activities						
Ever enrolled in MFIP or STRIDE employment and training program	46.6	27.1	22.2	24.4 ***	4.9	19.4 ***
Ever participated in any employment or training activity	61.8	59.2	60.1	1.7	-0.9	2.6
Short-term employment-related activities	35.3	30.5	29.2	6.1 **	1.3	4.8
Career workshop	17.7	21.9	15.1	2.6	6.8 **	-4.1
Group job search	23.2	9.1	15.2	8.0 ***	-6.1 *	14.1 ***
Individual job search	22.8	11.2	12.3	10.5 ***	-1.1	11.6 ***
Any education and training activity	44.2	46.5	47.5	-3.3	-0.9	-2.3
Basic education	14.2	15.5	15.2	-1.0	0.3	-1.3
Post-secondary education	27.7	30.6	25.4	2.3	5.2	-2.9
Vocational training	12.1	12.1	14.1	-1.9	-1.9	0.0
On-the-job training/work experience	2.1	1.4	1.5	0.6	0.0	0.7
Obtained degree or diploma since random assignment						
High school diploma or GED	7.5	7.6	7.1	0.4	0.5	-0.1
Trade license	6.3	5.9	7.0	-0.7	-1.1	0.3
College or university degree	3.4	5.3	4.5	-1.1	0.8	-1.9
Associate's degree	1.7	2.9	2.9	-1.2	0.0	-1.2
Bachelor's degree	1.4	2.1	1.3	0.1	0.8	-0.6
Sample size (total = 1,223)	514	217	492			

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

training activities, it appears that the extra job search activities were provided *in addition to* other education or training activities (in which members of both groups participated with equal likelihood). This could result from any of the three ways that MFIP emphasized job search: MFIP group members were more strongly encouraged than AFDC group members to look for part-time jobs while in education or training activities; the MFIP program may have been more likely than the STRIDE program to place participants who did not complete an education or training activity directly into job search; and the MFIP program may have been more likely to follow education or training activities that were *completed* with subsequent job search to ensure that the participants' new skills resulted in employment. Thus, both MFIP's employment focus and its participation requirement would have increased the likelihood that MFIP group members would follow education or training (whether completed or not) with job search.

2. Effects of Financial Incentives Versus Adding Mandatory Services. As was the case for long-term recipients in urban counties, most of the effects that MFIP had on the participation rates of recent applicants in urban counties were caused by adding the participation mandate, rather than by the financial incentives alone.

It is not clear why recent applicants in the MFIP Incentives Only group participated in career workshops at somewhat higher rates, and in job search at somewhat lower rates, than their counterparts in the AFDC group. The expectation would have been that STRIDE case managers, who understood MFIP's incentives, would steer recent applicants in the MFIP Incentives Only group toward job search, rather than toward other activities.

B. Recent Applicants in Rural Counties

As shown in Table 3.5, the pattern of results for single-parent recent applicants in rural counties is very similar to the pattern for recent applicants in urban counties. For example, consistent with the program design and with the pattern of results in urban counties, MFIP had much smaller effects on the participation rates of recent applicants than of long-term recipients in rural counties. Also as in urban counties, MFIP had no effect on participation in "any" activities, but it did lead to a 21.1 percentage point increase in enrollment in MFIP services, compared with the rate at which AFDC group members enrolled in STRIDE services. Moreover, the size of MFIP's impacts on short-term employment-related activities in rural counties is similar to the size of impacts in urban counties, even though the impacts are not statistically significant (due to small sample sizes). The main difference in results for single-parent recent applicants in urban and rural counties is that MFIP did not lead to any increase in job search activities in rural counties. This appears to be caused by somewhat higher rates of participation in job search activities by members of the AFDC group in rural counties than in urban counties, which left less room for MFIP to have an impact.

VII. Single Parents' Participation in Activities at the End of Follow-Up

Figure 3.1 adds a different perspective on the participation patterns of single-parent members of the MFIP group in urban counties. The figure shows the status of survey respondents at a single point in time — the time of the survey, approximately 36 months after random assignment. As shown in the figure, only about one-third of long-term recipients had left welfare at the time of the survey, whereas most recent applicants had left welfare. About one-quarter of

Table 3.5

MFIP's Impacts on Participation in Employment and Training Activities and Educational Attainment for Single-Parent Recent Applicants in Rural Counties

Outcome (%)	MFIP	AFDC	Impact (Difference)
Employment and training activities			
Ever enrolled in MFIP or STRIDE employment and training program	58.1	37.0	21.1 ***
Ever participated in any employment or training activity	59.4	55.0	4.3
Short-term employment-related activities	37.1	30.7	6.4
Career workshop	21.0	17.2	3.8
Group job search	22.6	20.8	1.7
Individual job search	11.7	18.2	-6.5
Any education and training activity	47.4	47.6	-0.2
Basic education	5.6	8.8	-3.2
Post-secondary education	29.0	31.7	-2.7
Vocational training	21.4	20.7	0.7
On-the-job training/work experience	3.8	3.2	0.6
Obtained degree or diploma since random assignment			
High school diploma or GED	2.6	2.8	-0.2
Trade license	10.1	12.0	-1.9
College or university degree	10.2	7.1	3.1
Associate's degree	7.1	5.9	1.3
Bachelor's degree	2.9	1.3	1.6
Sample size (total = 272)	151	121	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

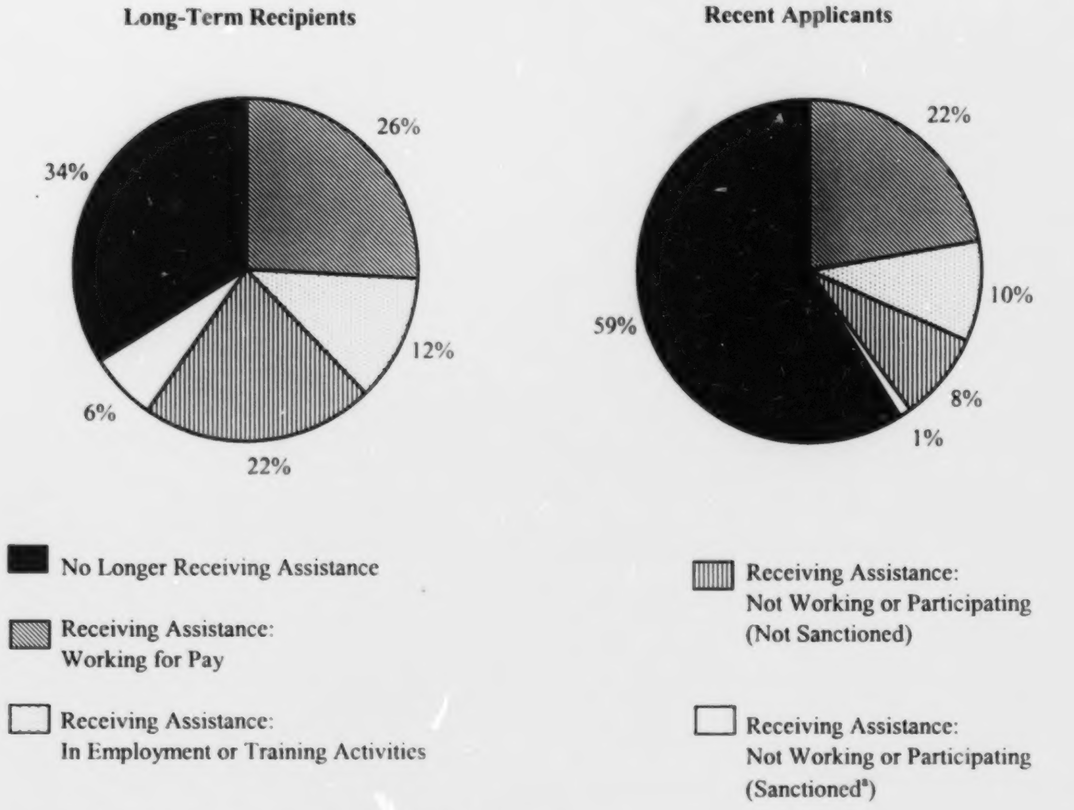
A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

Figure 3.1

Participation Status of Single Parents in Urban Counties at 36 Months (MFIP Group Only)



SOURCE: MDRC calculations using data from the 36-month survey.

NOTES: [a]Data on sanction status were collected only for survey respondents who reported that they were receiving assistance but not working or participating in employment or training activities.

both groups were mixing work and welfare (working either part time or full time). In addition, similar proportions (10 to 12 percent) were on welfare and participating in activities. However, as one might expect, a much larger proportion of long-term recipients than of recent applicants were still on welfare and were neither working nor participating in activities. At the time of the survey, 6 percent of long-term recipients were being sanctioned (about one-fifth of the 28 percent who were neither working nor participating).

VIII. Summary of MFIP's Effects on Participation and Educational Attainment

MFIP's effects on single parents' employment and training activities and on their educational attainment are straightforward. The program had substantial impacts on employment and training activities for single-parent long-term recipients in both urban and rural counties. Because of the program's strong emphasis on employment, however, these impacts on participation occurred only for short-term employment-directed activities, not for education or training activities.

In neither urban nor rural counties did MFIP increase the likelihood that single-parent recent applicants participated in "any" employment and training activities. However, MFIP did increase the likelihood that recent applicants supplemented their participation in other activities with participation in short-term employment-directed activities, particularly in urban counties.

MFIP's increases in participation in employment and training activities among single parents were driven almost entirely by its participation mandates rather than by its financial incentives. MFIP did not have substantial effects on educational attainment.

Chapter 4

MFIP's Effects on Single-Parent Long-Term Recipients

I. Introduction

Participation data shown in Chapter 3 indicate that the Minnesota Family Investment Program (MFIP) significantly increased rates of participation in employment-related activities, especially among single-parent long-term recipients. Chapters 4 and 5 present MFIP's effects on single-parents' employment, earnings, welfare receipt, and other measures of well-being during the nearly three years after families entered the program. Because MFIP's participation requirements in this evaluation were targeted to parents who had stayed on welfare for two years, these chapters continue the practice of presenting results separately for long-term recipients and recent applicants.

Chapter 5 focuses on single-parent recent applicants and answers the question "What were the effects of financial incentives plus the message that parents would be required to work or participate in services if they continued to receive welfare for two years?" This chapter again focuses on single-parent long-term recipients and answers the question "What were the combined effects of financial incentives and mandatory services among those who were required to participate?" Long-term recipients are a key focus of policymakers, because they make up the majority of the caseload at any given time and are least likely to enter employment on their own.

II. Summary of the Findings

Results shown in the interim report[1] indicated that MFIP, relative to Aid to Families with Dependent Children (AFDC), substantially increased employment and earnings for long-term recipients in urban counties during the first 18 months.[2] MFIP also increased receipt of welfare, because its more generous incentives allowed working families to continue receiving benefits, but it reduced the extent to which families relied solely on welfare. Higher benefits combined with higher earnings resulted in increased income and a reduction in measured poverty.

This chapter updates these results by presenting MFIP's impacts on single parents' employment, earnings, and welfare receipt for nearly three years. Did the large employment and earnings impacts persist beyond the first 18 months, and did long-term recipients increase their earnings and reduce their dependence on welfare, as program designers envisioned? In addition, data from the 36-month survey allow for a more in-depth look at MFIP's effects. The survey contains detailed information about long-term recipients' jobs (such as hours worked, wage rates, and benefits) as well as information on various aspects of family well-being (such as material hardship) and family composition.

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[1] Miller et al., 1997.

[2] AFDC is used to denote all the programs that MFIP replaced, including AFDC, Food Stamps, Family General Assistance, and the STRIDE program.

- **MFIP substantially increased employment rates among single-parent long-term recipients and increased their average earnings throughout the three-year period. Most of the increase in employment was in full-time, moderate-wage jobs that offered health benefits. Few previously evaluated welfare-to-work programs have produced employment increases of this magnitude that have also persisted for this long.**

Table 4.1 presents impacts on quarterly outcomes averaged during the first 10 quarters of follow-up, or the maximum follow-up available for both urban and rural long-term recipients.[3] The effects, or impacts, of MFIP are calculated as the differences in outcomes for the MFIP and AFDC groups. Impacts for all counties are shown in the rightmost three columns of Table 4.1. MFIP significantly increased quarterly employment rates and earnings during the follow-up period. An average of 49.9 percent of the MFIP group worked in each quarter, for example, compared with 36.9 percent of AFDC group members, for an increase of 12.9 percentage points. Earnings in each quarter on average were also higher, by $176. An analysis of job characteristics, shown later, indicates that most of the increase in employment generated by MFIP was in jobs that paid $7 to $9 per hour and in jobs that offered health insurance coverage.

MFIP's employment impacts are notable not only for their magnitude but also for their persistence. As shown later, MFIP continued to increase average quarterly employment rates and earnings during the third year of follow-up, and the sizes of these impacts are similar to the sizes in the first two years. Although other programs have produced employment increases that lasted several years, few increases have been as large as MFIP's.

- **MFIP increased the number of single-parent families receiving welfare, largely because it allowed more working families to receive benefits, but it reduced the number of families relying solely on welfare.**

By allowing single-parent long-term recipients who worked to keep more of their benefits, MFIP increased the number of families who received some benefits. (Welfare, as defined here, includes benefits from ADFC, Food Stamps, Family General Assistance, and MFIP. Food Stamps are included as welfare because they were cashed out under MFIP and, therefore, cannot be separated out from the MFIP grant.) On average, in each quarter of follow-up, 85.3 percent of families in the MFIP group received benefits, compared with 80.6 percent of families in the AFDC group. However, because more single-parent long-term recipients were working, MFIP also reduced the number of families who relied solely on welfare; in each quarter, 54.5 percent of families in the AFDC group relied solely on welfare, compared with only 42.9 percent of the MFIP group.

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[3] For single- and two-parent families, a higher proportion of the rural caseload was included in the evaluation. In order to make the sample match the urban-rural mix of the actual caseload in the seven evaluation counties, the rural counties are weighted down for the combined county impacts. The summary tables in Chapters 4 and 5 give all urban counties one weight and all rural counties one weight, rather than assigning each individual county its own weight, given that the separate urban and rural impacts are not weighted by county. The results are similar using either method.

Table 4.1

Summary of MFIP's Impacts on Employment, Welfare, Income, and Marriage for Single-Parent Long-Term Recipients

	Urban Counties			Rural Counties			All Counties[a]		
Outcome	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)
Quarterly averages during the first 10 quarters									
Employed (%)	50.3	36.9	13.4 ***	47.8	39.2	8.5 ***	49.9	36.9	12.9 ***
Earnings ($)	967	780	187 ***	876	820	56	955	779	176 ***
Receiving welfare (%)	85.4	81.3	4.0 ***	85.9	76.4	9.5 ***	85.3	80.6	4.7 ***
Welfare benefits ($)	1,756	1,608	149 ***	1,704	1,370	333 ***	1,745	1,569	176 ***
Welfare was only source of income (%)	42.2	54.5	-12.3 ***	46.7	52.9	-6.2 **	42.9	54.5	-11.6 ***
Income from welfare and earnings ($)	2,723	2,387	335 ***	2,580	2,191	389 ***	2,700	2,348	352 ***
Income from welfare and earnings with estimated EIC benefits ($)[b]	2,843	2,474	369 ***	2,710	2,295	415 ***	2,822	2,438	384 ***
In the month prior to the 3-year follow-up[c]									
Currently married and living with spouse (%)	8.6	5.8	2.8	23.4	15.6	7.9	10.6	7.0	3.6 **
Sample size (total = 2,373)	846	934		295	298		1,141	1,232	

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records, public assistance benefit records, and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

[a] A higher fraction of the caseload in the rural counties than the urban counties was randomly assigned into the evaluation, meaning that the rural counties are over-represented in the full evaluation sample. To account for this when estimating impacts for urban and rural counties combined, the rural counties were weighted down by a factor of .56.

[b] These estimates are calculated assuming that all eligible individuals received both the federal and the state Earned Income Credit. Estimated payroll taxes and federal and state income taxes are also subtracted.

[c] These estimates are calculated using data from the 36-month client survey. The sample sizes are 724 in urban counties, 252 in rural counties, and 976 in all counties.

- **MFIP increased families' incomes and reduced measured poverty.**

As a result of higher earnings and benefits, MFIP families had higher average income than AFDC families — $2,700 versus $2,348. As shown later, MFIP also reduced the number of families whose earnings plus benefits left them below the poverty line. Because the Earned Income Credit (EIC) has become such an important transfer program for low-income working families, the bottom row of the table presents estimates of income assuming that all eligible parents filed a tax return and claimed the EIC. Accounting for this benefit increases MFIP's effects on family income.

- **In the rural counties, MFIP had smaller effects on single-parent long-term recipients' employment and earnings.**

The first six columns of Table 4.1 show MFIP's effects in urban versus rural counties. All subsequent analyses in the chapter are conducted separately for urban and for rural counties, given that the three-group research design was implemented only in the urban counties. The results show that the effects for all counties combined are similar to effects for the urban counties: MFIP increased single parents' employment, earnings, welfare, and income. However, a look at the middle three columns shows that MFIP had smaller effects on employment in the rural counties, increasing employment on average by 8.5 percentage points each quarter. As shown later, the employment impacts in rural counties fade considerably by year 2, in contrast to the lasting impacts in urban counties. The difference between rural and urban counties appears to be partly due to the fact that MFIP had smaller effects on long-term recipients who were previously married (in both types of counties) and that this group makes up a slight majority of the sample in rural counties.

- **MFIP's financial incentives, when used without the mandatory services, produced modest effects on employment rates and encouraged some single-parent long-term recipients to move from full-time to part-time work. However, the incentives were largely responsible for MFIP's antipoverty effects.**

The evaluation design provided a test of the effects of financial incentives alone versus the effects of the full program (incentives combined with mandatory services). As shown later, the financial incentives alone modestly increased employment, primarily in part-time jobs, and these effects diminished over time. In addition, the incentives encouraged some single parents who would have worked full time to reduce their weekly hours. However, when combined with mandatory services, the incentives increased long-term recipients' earnings and incomes by allowing them to keep more benefits when they worked; MFIP would not have increased family income if welfare benefits had been reduced dollar for dollar as earnings increased.

- **At the three-year follow-up point, MFIP recipients were more likely to be married than were AFDC recipients.**

As shown in Table 4.1, 10.6 percent of MFIP parents were married at the end of the third year, compared with 7.0 percent of AFDC parents. The increase in marriage occurred in both the urban and the rural counties, but the impact is larger in the rural counties. Also, although the im-

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pacts for each sample separately just miss statistical significance at the 10 percent level, the impact for the full sample is statistically significant.

III. Expected Effects of MFIP

Both of MFIP's primary components — enhanced financial incentives and mandatory employment-focused activities — should have affected single-parents' employment decisions, although not always in the same way. When thinking about MFIP's effects, it is helpful to consider what single parents would have done in the absence of the program. As an extreme example, if all people on welfare in Minnesota typically went to work soon after they started receiving benefits, the program would have had no effect on employment rates. In reality, however, some single parents went to work quickly, some did so after several months on welfare, and others did not work.

The mandatory employment and training activities were purposefully targeted to single parents who had stayed on welfare for a long period without working — parents who were not likely to have worked in the absence of MFIP. By requiring individuals who were not working at least 30 hours per week to participate in case management and employment preparation activities, the mandates should have increased full-time employment and decreased welfare receipt.[4] The mandates would have had little effect on single parents who would have worked full time anyway.

Financial incentives would have somewhat different effects. As shown in Chapter 1, a single parent could obtain a higher total income under MFIP than AFDC if she worked either part time or full time. For single parents who would not have worked under AFDC, MFIP should have increased their incentive to take a job. Chapter 1 also showed that MFIP's incentives were relatively more generous for part-time work. Thus, single parents who went to work may have been more likely to take a part-time than a full-time job.

Some single parents, however, would have gone to work in the absence of MFIP. Providing them with more generous benefits would not have affected their decision about getting a job, but it might have affected the intensity of their work effort. On the one hand, the financial incentives might have decreased their work intensity. Consider a single parent who worked 30 hours per week. MFIP provided higher benefits than she could have obtained under AFDC and, therefore, higher total income. If she cut back her hours worked, however, substituting benefits for earnings, she could have received the same total income as under AFDC, but with less work. Note that she would not be encouraged to leave her job, because MFIP's more generous benefits were provided only to single parents who worked. On the other hand, the incentives might increase her work intensity. Because, compared with AFDC, she could keep more of her benefits under MFIP as her earnings increased, she might be encouraged to increase her earnings by increasing her hours worked.

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[4] Single parents with a child under age 6 were required to participate in employment activities if they were not working at least 20 hours per week.

Thus, for single parents who would have worked in the absence of MFIP, the program's financial incentives might have either increased or decreased work intensity, depending on which of these two effects dominated. For single parents who would not have worked in the absence of MFIP, the incentives should have increased employment and may have produced larger increases in part-time employment, because the incentives were more generous for part-time work. The incentives should also have increased welfare receipt, at least in the short term, because they allowed single parents who earned more to remain eligible for benefits.

IV. Effects on Single-Parent Long-Term Recipients in Urban Counties

This section presents MFIP's impacts on employment, earnings, and welfare receipt for single-parent long-term recipients in urban counties during the two years and nine months after they entered the program.[5] Impacts on other aspects of family well-being in urban counties were estimated using data from the 36-month survey. Impacts for long-term recipients in rural counties are presented separately in Section V because rural families were not assigned to the MFIP Incentives Only group; that is, the three-group research design was implemented only in urban counties.

The results show that MFIP substantially increased urban long-term recipients' employment rates and earnings during the follow-up period. In addition, the majority of these single parents who went to work in response to MFIP worked in moderate-wage jobs and stayed employed fairly continuously. MFIP increased their welfare receipt because of its more generous earnings disregards, which, in combination with higher earnings, increased long-term recipients' incomes. MFIP families were also more likely to have had continuous health insurance coverage during the three years, probably because they were more likely to receive welfare and thus were automatically eligible for Medicaid.

A. Employment, Earnings, and Welfare Receipt

Figures 4.1 and 4.2 present MFIP's impacts on quarterly employment rates and earnings for single-parent long-term recipients in urban counties. Data for the AFDC group show that, in the absence of MFIP, employment rates and earnings would have increased over time, although very gradually; 28 percent of the AFDC group worked in quarter 1, or the quarter of random assignment, and 45 percent worked by quarter 12. The positive impacts of MFIP can be seen from the fact that employment rates and earnings were higher throughout the period for the MFIP group. In quarter 12, for example, 57 percent of the MFIP group worked, for a 12 percentage point increase. Although the size of the impact on employment fell by quarter 8, as the control group caught up, it remained at about 10 percentage points through quarter 12. Average earnings were also higher for the MFIP group throughout the period, although the difference became smaller by quarter 12.

As noted in Chapter 1, the policy environment in Minnesota changed somewhat over the course of the evaluation, particularly after 1997, with the adoption of the statewide program,

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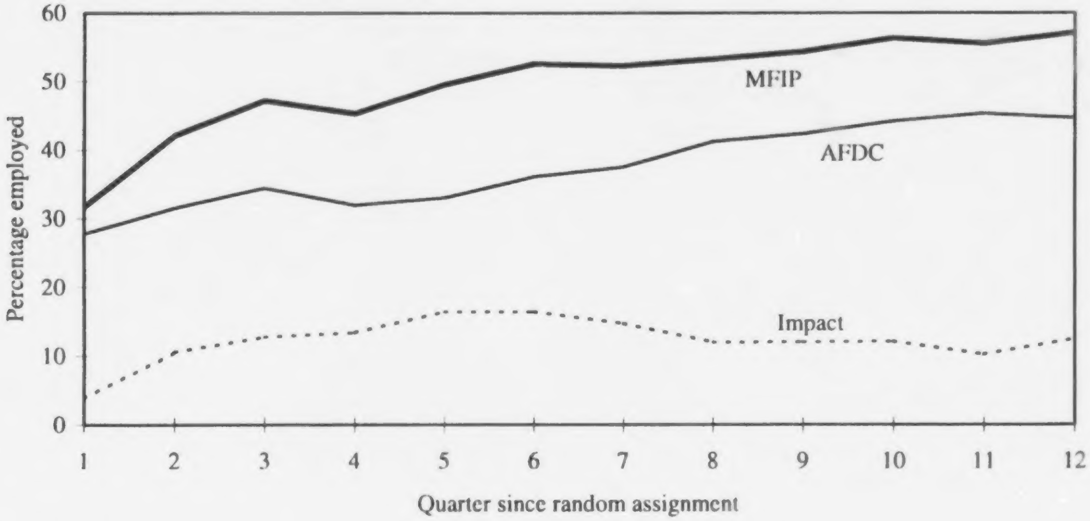
[5] Only differences that are statistically significant at the 10 percent level are considered program impacts and described as increases or decreases caused by the program.

Figure 4.1

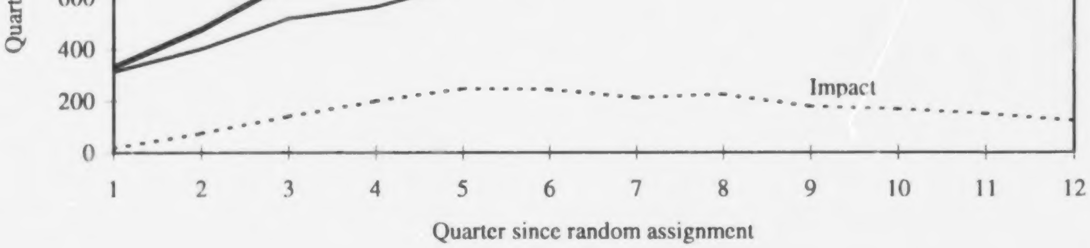
Quarterly Employment Rates for Single-Parent Long-Term Recipients in Urban Counties



SOURCE: See Table E.1 for data corresponding to figure.

Figure 4.2

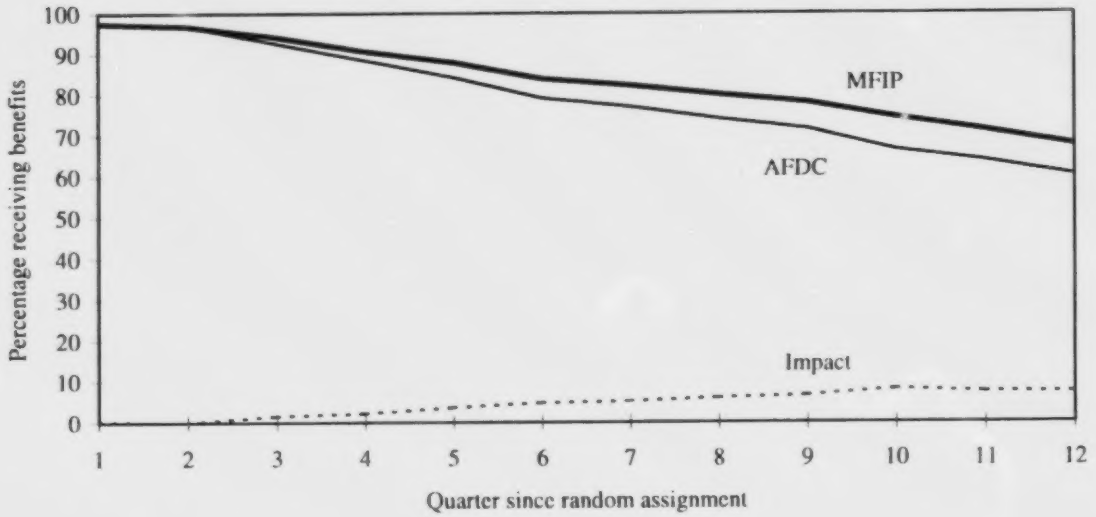
Quarterly Earnings for Single-Parent Long-Term Recipients in Urban Counties



SOURCE: See Table E.1 for data corresponding to figure.

Figure 4.3

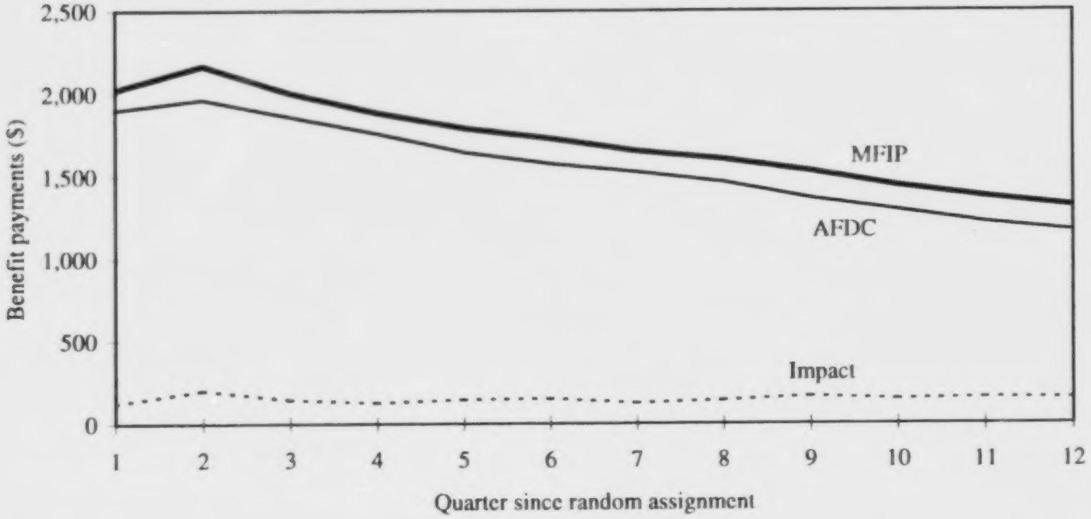
Quarterly Welfare Receipt for Single-Parent Long-Term Recipients in Urban Counties



SOURCE: See Table E.1 for data corresponding to figure.

Figure 4.4

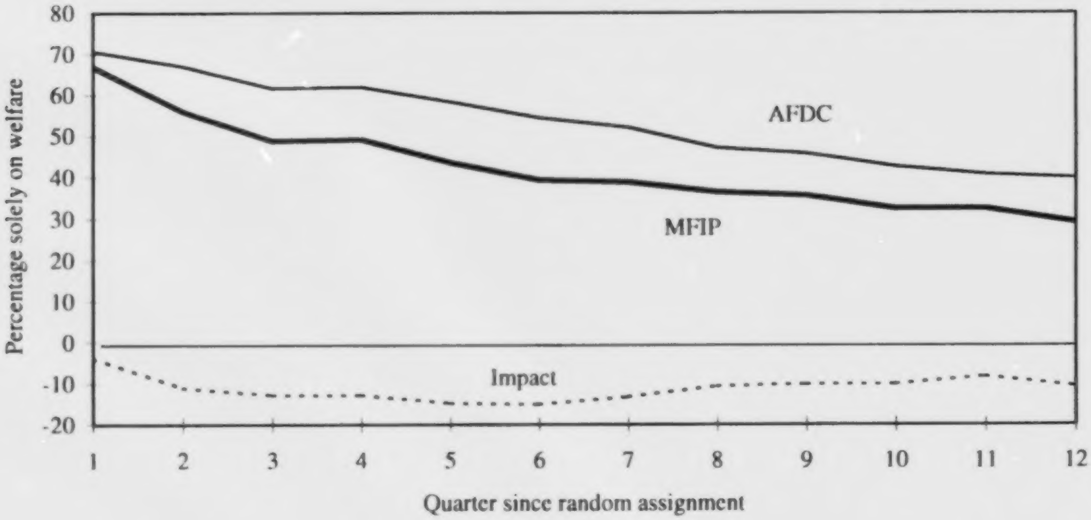
Quarterly Benefits for Single-Parent Long-Term Recipients in Urban Counties



SOURCE: See Table E.1 for data corresponding to figure.

Figure 4.5

Percentage of Single-Parent Long-Term Recipients in Urban Counties Who Relied on Welfare Benefits as Their Only Income Source



SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) records and public assistance benefit records.

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MFIP-S. In responding to the 36-month survey, the majority of single-parent long-term recipients in both the MFIP and the AFDC groups believed that they faced participation or work requirements and time limits. For this reason, and also possibly because of expansions in the Earned Income Credit (EIC), the increase over time in employment rates for the AFDC group may be larger than it would have been otherwise. Nonetheless, MFIP's impacts remained fairly constant throughout the period.[6]

Figures 4.3 through 4.5 present impacts on welfare receipt for single-parent long-term recipients in urban counties. (As mentioned earlier, welfare includes benefits from AFDC, Food Stamps, Family General Assistance, and MFIP.) The percentage of families receiving welfare decreased substantially over the period, from 97 percent of the control group in quarter 1 to 60 percent by quarter 12. However, single parents in the MFIP group left welfare somewhat more slowly; by quarter 12, 68 percent were receiving welfare, for an 8 percentage point increase. MFIP families also received about $150 more in benefits per quarter than AFDC families. Although somewhat more MFIP families than AFDC families received benefits during the course of the follow-up period, Figure 4.5 shows that they were less likely to rely solely on welfare for income. Consistent with the general increase in employment rates shown in Figure 4.1, both groups of long-term recipients became less dependent over time, when dependence is defined as relying solely on welfare. However, single parents in the MFIP group showed less reliance on welfare throughout the period; by the last quarter of follow-up, 29.2 percent relied solely on welfare, compared with 39.9 percent of the AFDC group.

MFIP's effects on summary measures of employment and welfare receipt in urban counties are presented in Table 4.2. (Quarterly data are presented in Appendix E.)[7] This table also presents data for the third research group, MFIP Incentives Only. Impacts for this group show the effects of financial incentives when offered by themselves and allow an examination of how each of MFIP's components contributed to the full program's impacts. Recall that the Incentives Only group was subject to MFIP's incentives and benefit structure, its direct payment of child care costs, and its consolidation of benefits, which includes providing Food Stamps as part of the cash grant. (The term "incentives" in this report is meant to include all these changes in the calculation of benefits.) As discussed earlier, each comparison across groups answers a specific question: Comparing outcomes for the MFIP and AFDC groups shows the effects of the full program of incentives and mandates; comparing outcomes for the MFIP Incentives Only and AFDC groups shows the effects of MFIP's incentives alone; and comparing outcomes for the MFIP and MFIP Incentives Only groups shows the effects of adding the mandatory services to the incentives. This last comparison does not measure the effects of mandatory services by themselves, however, because they operated in the context of the enhanced incentives.

The top rows of Table 4.2 present average quarterly employment rates during three periods of follow-up: year 1 (quarters 2 through 5), year 2 (quarters 6 through 9), and the first nine

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[6] A cohort analysis was also conducted, in which impacts were estimated separately for long-term recipients who entered the program early in the intake period versus those who entered later, to test for the effects of environmental changes. No significant differences were found between the impacts for the two groups.

[7] All impacts are regression-adjusted to control for a range of baseline characteristics, such as race/ethnicity, marital status, education level, prior employment, and prior welfare receipt. See Appendix D for details and for unadjusted impacts.

Table 4.2

MFIP's Impacts on Employment, Earnings, and Welfare for Single-Parent Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC		MFIP Incentives Only vs. AFDC		MFIP vs. MFIP Incentives Only	
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Percentage Change	Impacts of Financial Incentives Alone	Percentage Change	Impacts of Adding Mandatory Services and Reinforced Incentive Messages	Percentage Change
Employment and earnings									
Average quarterly employment rate (%)									
Year 1	46.0	39.8	32.8	13.3 ***	40.5	7.0 ***	21.4	6.3 ***	15.8
Year 2	53.2	42.9	39.3	13.9 ***	35.3	3.6 *	9.3	10.2 ***	23.9
Year 3 (quarters 1-3)	56.2	48.3	44.7	11.5 ***	25.7	3.6 *	8.0	7.9 ***	16.4
Number of quarters employed during the 11-quarter follow-up period (%)									
None	14.3	22.0	29.6	-15.3 ***	-51.7	-7.6 ***	-25.6	-7.7 ***	-35.1
1-4	26.1	27.9	27.5	-1.4	-5.0	0.5	1.7	-1.8	-6.5
5-8	30.5	25.9	23.3	7.2 ***	30.9	2.6	11.3	4.6 **	17.7
9-11	29.1	24.1	19.6	9.5 ***	48.1	4.5 **	22.8	5.0 **	20.7
Average quarterly earnings ($)									
Year 1	699	586	537	163 ***	30.3	50	9.2	113 **	19.3
Year 2	1,129	863	913	216 ***	23.7	-50	-5.5	266 ***	30.9
Year 3 (quarters 1-3)	1,441	1,251	1,298	143 *	11.0	-48	-3.7	191 **	15.2
Earnings growth									
Employed in year 1 and year 3	55.5	44.8	38.1	17.4 ***	45.5	6.6 ***	17.4	10.7 ***	23.9
Average quarterly earnings in year 1									
Less than $500 (%)	13.3	11.5	9.5	3.8 **	39.7	1.9	20.4	1.8	16.0
$500-$2,000 (%)	28.0	22.9	16.3	11.7 ***	71.4	6.5 ***	40.0	5.1 **	22.5
More than $2,000 (%)	14.2	10.5	12.3	1.9	15.7	-1.8	-14.8	3.7 **	35.7
Average quarterly earnings in year 3									
Less than $500 (%)	8.2	8.2	5.4	2.9 **	53.5	2.8 **	51.8	0.1	1.1
$500-$2,000 (%)	19.0	14.6	12.1	7.0 ***	57.6	2.6	21.1	4.4 **	30.1
More than $2,000 (%)	28.2	22.0	20.7	7.5 ***	36.4	1.3	6.3	6.2 ***	28.3

(continued)

Table 4.2 (continued)

	Average Outcome Levels			MFIP vs. AFDC		MFIP Incentives Only vs. AFDC		MFIP vs. MFIP Incentives Only	
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Percentage Change	Impacts of Financial Incentives Alone	Percentage Change	Impacts of Adding Mandatory Services and Reinforced Incentive Messages	Percentage Change
Welfare receipt									
Average quarterly receipt rate (%)									
Year 1	92.4	93.5	90.7	1.7 *	1.9	2.8 ***	3.1	-1.0	-1.1
Year 2	81.0	83.7	75.7	5.3 ***	7.1	8.0 ***	10.5	-2.6	-3.1
Year 3 (quarters 1-3)	71.1	74.1	63.6	7.6 ***	11.9	10.5 ***	16.6	-3.0	-4.0
Average quarterly benefits ($)									
Year 1	1,964	2,035	1,810	154 ***	8.5	226 ***	12.5	-71 **	-3.5
Year 2	1,627	1,774	1,484	143 ***	9.7	290 ***	19.5	-146 ***	-8.3
Year 3 (quarters 1-3)	1,380	1,518	1,227	154 ***	12.5	291 ***	23.7	-138 ***	-9.1
Sample size (total = 2,615)	846	835	934						

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Rounding may cause slight discrepancies in sums and differences.

months of year 3 (quarters 10 through 12). Like Figure 4.1, the table shows that MFIP increased average quarterly employment rates in each period. In year 2, for example, 39.3 percent of the control group were employed in each quarter, on average, compared with 53.2 percent of the MFIP group, for a statistically significant increase of 13.9 percentage points. This impact, in turn, is the sum of the impact of financial incentives alone (sixth column) and the impact of adding mandates to the incentives (eighth column).

A comparison of the three impact columns in Table 4.2 shows that the incentives alone accounted for a slight majority (7 of 13.3 percentage points) of the full program's impact on employment during year 1. The effects of incentives alone diminished over time, however, and in years 2 and 3, adding the mandates to the incentives clearly accounted for most of the program's impacts. The pattern of impacts for the incentives alone suggests that they encouraged single parents to move into jobs earlier than they would have otherwise. Over years 2 and 3, however, employment rates for the AFDC group increased, and the impacts of the financial incentives alone diminished. In addition, the incentives alone did not increase average earnings, despite increasing employment rates. For example, the incentives alone increased quarterly employment in year 3 by 3.6 percentage points but decreased average earnings by $48, although the latter impact is not statistically significant. As noted earlier, the incentives may have had the effect of encouraging part-time work and encouraging some single parents who would have worked full time to reduce their weekly hours. MFIP's impacts on hours worked and its impacts for certain subgroups (shown later) indicate that the incentives produced both of these effects — most of the increase in employment that resulted from the incentives alone was in part-time jobs, and the incentives alone encouraged some long-term recipients who would have worked full time anyway to reduce their weekly hours. Thus, the increases in average quarterly earnings produced by the full program were caused entirely by adding the mandatory services to the financial incentives.

The top panel of Table 4.2 also presents data on the number of quarters that single-parent long-term recipients worked during the follow-up period. MFIP increased the percentage who worked at some point during the follow-up period, by 15.3 percentage points (29.6 percent of the AFDC group did not work, compared with only 14.3 percent of the MFIP group). The pattern of impacts implies that the majority of those who worked in response to MFIP worked continuously over the period; 9.5 of the 15.3 percentage point increase in employment was accounted for by recipients who worked at least 9 of the 11 quarters. The Unemployment Insurance (UI) data provide only a rough measure of employment stability, however, because they do not capture job changes or periods of unemployment within a quarter. (Table 4.4 more closely examines employment stability.) Nonetheless, UI data suggest that urban long-term recipients managed to stay employed fairly continuously.

Although average earnings each year increased for all groups, these data do not indicate whether earnings were increasing over time for individual workers. One of the ideas behind the design of MFIP was that recipients who went to work and also received a supplemental grant might eventually increase their earnings enough to leave welfare. The second panel of Table 4.2 shows that earnings did increase for some working single parents. For example, 14.2 percent of the MFIP group worked during years 1 and 3 and, during year 1, earned on average more than $2,000 in each quarter they worked; 28.2 percent earned at least this amount in each quarter they worked during year 3. Thus, earnings increased on average for those who worked continuously over the period, and this increase may have resulted either from an increase in weeks or hours worked or from an increase in wage rates.

The earnings impacts also show a difference between the MFIP and AFDC groups. MFIP increased the number of single parents who worked in both years 1 and 3 (by 17.4 percentage points), and most of this increase (11.7 percentage points) was among workers who earned $500 to $2,000 per quarter in year 1. By year 3, however, the increase in employment was evenly split between workers earning $500 to $2,000 and those earning more than $2,000 per quarter, suggesting that the MFIP group experienced higher earnings growth over time.

The last panel of Table 4.2 presents impacts on welfare receipt and shows that the increased welfare receipt produced by MFIP came from its enhanced incentives. The MFIP Incentives Only group received, on average, $1,518 in benefits in year 3, compared with $1,227 for the AFDC group, for an increase of $291. The addition of the mandatory services reduced benefit amounts and receipt rates from what they would have been with the incentives alone, so that the net increase from the full program was only $154 per quarter in year 3.

B. Job Characteristics and Employment Patterns

MFIP substantially increased employment rates for single-parent long-term recipients in urban counties. Given that, a natural question is "What types of jobs did they obtain?" A common concern surrounding welfare-to-work programs is that participants typically get low-wage, low-quality jobs. The data in Table 4.3 suggest that, although most long-term recipients worked in low- to moderate-wage jobs with few benefits, MFIP increased employment in jobs that paid $7 to $9 per hour and that offered health benefits.

The table presents data for the survey sample showing the characteristics of their last-held or currently held job at the time of the 36-month survey. For comparison, UI records data are included. The UI records data in the first row show that 86.3 percent of the MFIP group worked during the two years and nine months after random assignment, compared with 70.7 percent of the AFDC group, for an increase of 15.6 percentage points. These numbers are similar to those shown in Table 4.2 for the full sample (obtained as 100 percent minus the percentage who worked zero quarters during the period). The second row presents the percentage of survey respondents who reported that they had worked at some point since random assignments: 85.2 percent of the MFIP group, 83.5 percent of the MFIP Incentives Only group, and 73.7 percent of the AFDC group. Respondents' reports for the MFIP group correspond fairly closely with the UI data; respondents in the other two groups, however, reported higher employment rates than the UI data indicate. One result of this difference in reporting is that, although the survey and UI data tell a similar story in terms of the full program's effects (11.6 versus 15.6 percentage points), the survey data attribute a greater proportion of the increase in employment to MFIP's financial incentives (9.7 out of 15.6 percentage points compared with 9.9 out of 11.6 percentage points).

In general, UI data are considered more reliable for calculating employment rates over a long follow-up period, given that respondents may not recall short or distant spells of employment. In addition, respondents may have reasons to under- or overreport employment. On the other hand, state UI data do not capture some types of jobs, such as those of individuals who work out of state, are self-employed, work for cash, or work for employers who fail to report em-

Table 4.3

MFIP's Impacts on Hours Worked, Wages, and Benefits in Current or Most Recent Job for Single-Parent Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
From administrative records						
Worked during the 11-quarter follow-up period (%)	86.3	80.4	70.7	15.6 ***	9.7 ***	5.9 **
From 36-month survey						
Worked since random assignment (%)	85.2	83.5	73.7	11.6 ***	9.9 ***	1.7
Hours worked per week in current or most recent job						
Did not work (%)	14.8	16.5	26.3	-11.6 ***	-9.9 ***	-1.7
Worked part time (%)	22.3	30.4	18.1	4.2	12.4 ***	-8.2 ***
1-19 hours	8.4	11.0	8.0	0.4	3.0	-2.5
20-29 hours	13.6	18.6	10.1	3.5	8.5 ***	-5.0 *
Worked full time (%)	62.8	52.0	54.8	8.0 **	-2.8	10.7 ***
30-34 hours	12.0	8.4	9.7	2.4	-1.3	3.6
35-44 hours	42.4	33.8	37.7	4.7	-3.9	8.6 **
45 or more hours	8.4	9.8	7.5	0.9	2.4	-1.5
Average hours worked per week among those employed	*34.1*	*31.9*	*34.1*	*0.0*	*-2.1*	*2.2*
Hourly wage in current or most recent job						
Did not work (%)	14.8	16.5	26.3	-11.6 ***	-9.9 ***	-1.7
Less than $5	5.3	5.5	6.6	-1.4	-1.2	-0.2
$5 to $6.99	22.2	26.5	17.5	4.7	8.9 ***	-4.3
$7 to $8.99	32.8	23.6	25.9	6.9 **	-2.3	9.2 ***
$9 or above	23.5	25.7	21.5	2.0	4.2	-2.2
Average hourly wage among those employed ($)	*8.05*	*7.84*	*8.20*	*-0.14*	*-0.36*	*0.21*

(continued)

Table 4.3 (continued)

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome (%)	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Employer-provided benefits in current or most recent job						
Did not work	14.8	16.5	26.3	-11.6 ***	-9.9 ***	-1.7
Paid sick days	28.6	23.6	28.4	0.2	-4.8	5.1
No paid sick days	56.1	58.6	44.9	11.2 ***	13.7 ***	-2.5
Paid vacation	39.4	34.7	34.5	4.9	0.2	4.7
No paid vacation	45.6	48.1	38.0	7.5 **	10.1 ***	-2.5
Health benefits	42.2	35.0	33.6	8.6 **	1.4	7.2 **
No health benefits	42.4	48.3	39.7	2.7	8.7 **	-6.0
Sample size (total = 1,090)	372	366	352			

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

Outcomes shown in italics are nonexperimental.

ployee earnings. The proportion of employment accounted for by the incentives might be higher using the survey data because (as shown in the three panels of the table) the increase in employment for the Incentives Only group was largely in lower-wage, part-time jobs with few benefits — the types of jobs that might be less likely to be reported to the UI system. Note, however, that the two impacts of adding mandatory services (5.9 and 1.7 percentage points, in the first two rows) are not significantly different from one another from a statistical point of view.

The first panel of Table 4.3 presents survey responses about weekly hours worked in the current or most recent job. The impacts are experimental, so that the percentages of the MFIP group who worked part time (22.3) and full time (62.8) sum to the percentage who worked since random assignment. The fourth column shows that the full program increased the percentage of long-term recipients who worked full time (or more than 30 hours per week) by 8 percentage points (62.8 percent versus 54.8 percent). This pattern of impacts differs slightly from results shown in the interim report, in which, among the 12-month survey sample, more of the MFIP group said that they worked exactly 30 hours per week. Although at 36 months a slight majority of the increase in employment was in full-time jobs, average hours worked by long-term recipients who worked were similar for the MFIP and AFDC groups. Because this difference is nonexperimental — comparing workers in the two groups — it is not tested for statistical significance. The incentives alone increased part-time work. In fact, the results suggest that all the increase in employment generated by the incentives (9.9 percentage points) was in jobs where respondents worked 29 to 20 hours per week (8.5 percentage points).

Data on wages and benefits show that most long-term recipients who worked during the period had low- or moderate-wage jobs that offered few benefits. For example, 25.9 percent of the AFDC group worked and earned $7 to $9 per hour; in other words, 35 percent of those who worked (25.9 divided by 73.7) earned $7 to $9 per hour. The fourth column shows that MFIP increased employment in moderate-wage jobs ($7 to $9 per hour) and in jobs that provided health benefits but not paid sick days or paid vacation. The proportion of the MFIP group who held jobs that offered health benefits was 42.2 percent, compared with 33.6 percent for the AFDC group. Thus, it does not appear that MFIP increased the number of long-term recipients in very low-quality jobs.

The fifth column of Table 4.3 shows the effects of the financial incentives alone. The incentives alone increased employment in relatively low-paying jobs ($5 to $7 per hour) that did not offer any of the three benefits shown. MFIP's enhanced incentives might have encouraged single-parent long-term recipients not only to take part-time jobs but also to take lower-paying jobs than they would have otherwise. Among the Incentives Only group, 26.5 percent worked and earned $5 to $7 per hour, compared with 17.5 percent of the AFDC group. The decrease in employer-provided benefits for the Incentives Only group most likely reflects that these benefits are not typically offered to part-time workers.[8]

Table 4.4 presents data on the length and timing of employment spells among respondents to the 36-month survey. Although MFIP was not specifically designed to increase employ-

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[8] Among the sample of long-term recipients in urban counties, those working full time were three time more likely than those working part time to report being offered benefits.

Table 4.4

MFIP's Impacts on Employment Stability for Single-Parent Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome (%)	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Employment stability						
Respondent worked since random assignment and reported all job dates	74.3	72.0	64.4	9.9 ***	7.6 **	2.3
First employment spell began within 12 months of random assignment	50.5	44.4	39.2	11.4 ***	5.2	6.1 *
First spell lasted less than 12 months	16.3	12.2	13.5	2.8	-1.3	4.1
Employed after first spell	14.4	9.8	9.8	4.7 *	0.0	4.7 **
Not employed after first spell	1.9	2.4	3.7	-1.9	-1.3	-0.5
First spell lasted more than 12 months	34.2	32.2	25.7	8.6 **	6.5 **	2.0
First employment spell began 12 or more months after random assignment	23.8	27.6	25.2	-1.4	2.4	-3.8
Number of jobs held						
1	29.6	33.4	28.2	1.4	5.2	-3.9
2 or 3	33.1	31.7	27.2	5.9 *	4.5	1.3
4 or more	12.9	7.9	10.0	2.9	-2.1	5.0 **
Sample size (total = 1,090)	372	366	352			

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

ment retention, long-term recipients might have been encouraged to stay employed in order to continue receiving MFIP's more generous benefits. The mandatory services might also have encouraged them to stay employed, because they were exempt from participating if they were working at least 30 hours per week. Because the survey collected job history information, these data provide a more detailed look at employment patterns than the UI data. Table 4.2 showed, for example, that MFIP increased the number of long-term recipients who worked in at least 9 of the 11 follow-up quarters. However, because a single-parent recipient was considered employed if she had worked at any point during a quarter, the UI data do not capture periods of unemployment within each three-month period.

The results shown in Table 4.4 suggest that the increase in employment caused by MFIP was relatively stable, although recipients did not necessarily stay in the same job over time. The first row shows that 74.3 percent of the MFIP group worked since random assignment and reported complete information on start and end dates for all jobs held. This number is lower than the employment rate reported in Table 4.3 for two reasons. First, some respondents did not report complete employment histories. Second, in practice the 36-month survey was administered to individuals anywhere from 36 to more than 40 months after they were randomly assigned. Yet, when analyzing the timing and duration of employment spells, it is necessary to restrict the follow-up period to 36 months for all sample members. Thus, a few respondents who reported working since random assignment but did not work within the first 36 months are counted as employed in the previous table but not in Table 4.4.

The second row of the table shows that all long-term recipients who went to work because of MFIP did so within the first 12 months of follow-up. In other words, MFIP increased employment only during the first 12 months after random assignment; 50.5 percent of the MFIP group started working within this time, compared with 39.2 percent of the AFDC group. In addition, MFIP increased the number of recipients who went to work during the first year and stayed employed for more than 12 consecutive months — 34.2 percent of the MFIP group compared with 25.7 percent of the AFDC group. (An employment spell is defined as the number of consecutive months of employment and can include job changes and brief periods of unemployment during a given month.)

Some long-term recipients went to work during the first year but did not stay continuously employed (16.3 percent of the MFIP group, for example), but most of them got another job at some point (14.4 percent of the MFIP group). Although MFIP did not significantly affect the incidence of short employment spells, it did increase the number of recipients who got jobs after a short spell (by 4.7 percentage points). This is also reflected in the fact that MFIP increased the number of recipients who held two or three jobs during the follow-up period. Thus, MFIP not only increased stable employment but also increased the likelihood of reemployment among some workers.

The two right-hand columns in Table 4.4 show that the increase in reemployment was due to the addition of MFIP's participation mandates. The fifth column shows that MFIP's financial incentives alone increased the number of long-term recipients who went to work during the first year and stayed continuously employed for at least 12 months (by 6.5 percentage points). The incentives had little effect on short spells of employment or on the likelihood of reemployment — also reflected in the fact that the incentives increased the number of recipients who held only one job during the period, although this impact is not statistically significant. The different effects of the full program versus the financial incentives alone probably relate to the fact that all the employment increase for the Incentives Only group was voluntary. People who go to work voluntarily may be more able or more willing to stay in a job longer.

C. Income and Measured Poverty

One important result of MFIP's increase in employment and welfare receipt among long-term recipients in urban counties is that it increased these single parents' income (from earnings and welfare). As shown in the top panel of Table 4.5, the MFIP group had higher income than the AFDC group throughout the three years. In the first nine months of year 3, for example, the MFIP group's average quarterly income was $2,822, compared with $2,525 for the AFDC group, for a statistically significant increase of $296. The Incentives Only group also had higher income than the AFDC group — $243 more in year 3. (This increase, however, resulted entirely from higher rates of welfare receipt; as shown in Table 4.2, the incentives alone did not increase average earnings.)

Despite MFIP's impacts, income levels remain quite low for all three groups. The MFIP group's average quarterly income of $2,822 in year 3, for example, implies an average annual income of $11,288. Note that this measure most likely underestimates income available to the family, because it only includes the respondent's earnings and welfare payments. (Analyses shown later, however, indicate that income from earnings and welfare may be a fairly good measure of total family income for a large fraction of long-term recipients, namely, those who are not living with other adults.) For this reason, poverty rates calculated using this measure of income are subject to the same caveat and are not comparable to the official poverty rate. In year 3, MFIP reduced measured poverty, or the percentage of families with earnings and welfare benefits below the poverty level, by 12.4 percentage points.

The results in Tables 4.2 and 4.5 show that MFIP's financial incentives contributed substantially to the full program's effects on income and measured poverty. The increase in income in year 3 for the MFIP group ($296), for example, is due equally to higher earnings ($143) and higher benefits ($154). The impacts for the Incentives Only group show that increases in income can also be achieved with incentives alone. However, because the incentives alone did not increase earnings, the increase in income for this group was due entirely to higher benefits.

The third panel in Table 4.5 presents impacts on income and measured poverty that include estimates of benefits received through both the federal and the state Earned Income Credits (EIC) as well as any federal and state taxes paid. The EIC has become an increasingly important transfer program for low-income families that also provides a strong incentive to work. In 1997, for example, a single mother with two children who earned $10,000 during the year would be eligible for a federal EIC of $3,656. Research using national data finds that the EIC has become an important tool for moving poor working families out of poverty.[9] Minnesota's Working Family Credit during the evaluation period was calculated as 15 percent of the federal EIC.

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[9] Porter, Primus, Rawlings, and Rosenbaum, 1998.

Table 4.5

MFIP's Impacts on Income and Poverty for Single-Parent Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC		MFIP Incentives Only vs. AFDC		MFIP vs. MFIP Incentives Only	
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Percentage Change	Impacts of Financial Incentives Alone	Percentage Change	Impacts of Adding Mandatory Services and Reinforced Incentive Messages	Percentage Change
Average quarterly income									
Average quarterly income from welfare and earnings ($)									
Year 1	2,663	2,621	2,346	317 ***	13.5	275 ***	11.7	42	1.6
Year 2	2,756	2,636	2,396	360 ***	15.0	240 ***	10.0	120 *	4.5
Year 3 (quarters 1-3)	2,822	2,769	2,525	296 ***	11.7	243 ***	9.6	53	1.9
Income and poverty in last three quarters									
Average quarterly income from welfare and earnings ($)	2,822	2,769	2,525	296 ***	11.7	243 ***	9.6	53	1.9
Measured poverty[a] (%)	65.3	69.3	77.7	-12.4 ***	-15.9	-8.3 ***	-10.7	-4.0 *	-5.8
Income and poverty in last three quarters with estimated taxes and EIC benefits[b]									
Average quarterly income from welfare and earnings ($)	2,995	2,912	2,613	382 ***	14.6	299 ***	11.5	83	2.8
Measured poverty[a] (%)	58.4	63.9	70.5	-12.1 ***	-17.2	-6.6 ***	-9.4	-5.5 **	-8.6
Income sources									
In last quarter of follow-up (%)									
Earnings, welfare	38.5	35.7	20.5	18.1 ***	88.2	15.2 ***	74.1	2.9	8.1
Earnings, no welfare	18.4	15.6	24.2	-5.9 ***	-24.2	-8.6 ***	-35.6	2.8	17.7
No earnings, welfare	29.2	36.5	39.9	-10.7 ***	-26.7	-3.4	-8.6	-7.2 ***	-19.9
No earnings, no welfare	13.9	12.3	15.4	-1.5	-10.0	-3.1 *	-20.3	1.6	13.0
Earnings are more than half of total income (%)	35.8	33.2	34.1	1.7	4.9	-1.0	-2.9	2.7	8.0
Sample size (total = 2,615)	846	835	934						

(continued)

Table 4.5 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Rounding may cause slight discrepancies in sums and differences.

[a] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

[b] These estimates are calculated assuming that all eligible individuals received both the federal and the state Earned Income Credit. Estimated payroll taxes and federal and state income taxes are also subtracted.

Adding EIC benefits and subtracting income and payroll taxes — under the assumption that all eligible families file taxes and receive EIC benefits — increases average quarterly income for the MFIP group from $2,822 to $2,995, or by $692 annually.[10] The measured poverty rate is reduced from 65.3 percent to 58.4 percent. The increase in average income after accounting for taxes and EIC benefits is smaller than the state maximum EIC benefit for two reasons. First, income is averaged over all group members and includes many long-term recipients who did not work and thus did not receive EIC benefits. Second, a large fraction of EIC benefits are offset by payroll taxes. In terms of program impacts, because the MFIP group had higher average earnings, adding EIC benefits increases MFIP's impact on quarterly income, from $296 to $382. Although accounting for taxes and EIC benefits reduced the level of measured poverty, it did not have much effect on the difference in poverty rates between the two groups, or the impact of MFIP.

The last panel of Table 4.5 shows data on income sources during the last quarter of follow-up (quarter 12). The program produced an 18.1 percentage point increase in the number of single-parent long-term recipients who were combining welfare and work, and since the four outcomes for income sources are mutually exclusive, the impacts show that most of this increase (10.7 percentage points) came from individuals who would have been on welfare and not have worked in the absence of the program.

These data also illustrate that there are a variety of ways to define dependence on welfare. One, shown earlier, is the percentage of families receiving benefits. Two other measures, shown here, are based on the composition of income. Using one definition — the number of families relying solely on welfare — the program decreased dependence (by 10.7 percentage points). Using another definition — the number of families for whom earnings are the major source of income — the program had no effect on dependence. In the last quarter of follow-up, 35.8 percent of MFIP families relied on earnings as their major source of income, compared with 34.1 percent of AFDC families.

Data on income are also available from the 36-month survey, which asked respondents about all income received by the family in the month preceding the survey. These outcomes are shown in Table 4.6. The top two rows show administrative records data on the average monthly income from earnings and welfare for the full sample and for the survey sample. The impacts are similar, and the impact of $74 for the survey sample just misses statistical significance at the 10 percent level.

The third row in Table 4.6 presents income from earnings and welfare for the survey sample as reported by respondents. On average, there is a fairly close correspondence between respondents' reports and the administrative records data. The MFIP group, for example, reported average earnings plus welfare of $949, while the administrative records data indicate an average

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[10] Estimates of EIC receipt are available from the 36-month survey, in which about 65 percent of respondents reported claiming the EIC on their last tax return. Surveys typically underestimate EIC use, however, since many individuals are not aware that they received the credit, especially if it is used to offset taxes due (Scholz, 1994). Income and poverty were also estimated using the EIC take-up rates reported on the survey. The results were similar to those reported in the table; MFIP's impact on income, for example, increased to $371.

Table 4.6

MFIP's Impacts on Income and Income Sources for Single-Parent Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Full sample						
From administrative records						
Average monthly earnings plus welfare in last quarter of follow-up ($)	936	945	845	91 ***	100 ***	-9
Survey sample						
From administrative records						
Average monthly earnings plus welfare in last quarter of follow-up ($)	966	1,001	892	74	109 **	-36
From 36-month survey						
Income in previous month from earnings and welfare ($)	949	958	946	3	12	-9
Income in previous month from all sources ($)	1,435	1,447	1,459	-24	-11	-13
Percentage with income source						
Own earnings	54.6	54.7	52.8	1.8	1.9	-0.1
Earnings of other members	24.3	27.4	28.8	-4.5	-1.5	-3.1
Child support	14.5	16.0	19.3	-4.8 *	-3.3	-1.5
Public assistance	65.1	65.9	59.7	5.4	6.2 *	-0.9
Any other income	19.1	20.3	19.1	-0.1	1.2	-1.2
Amount of income source ($)						
Own earnings	576	546	565	11	-19	30
Earnings of other members	287	344	355	-69	-11	-57
Child support	28	35	52	-24 ***	-16 **	-8
Public assistance	375	406	372	3	34	-31
Any other income	171	123	89	83 **	34	49
Sample size (total = 1,090)	372	366	352			

(continued)

Table 4.6 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records, public assistance benefit records, and the 36-month client survey.

NOTES: The full sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment. The survey sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment. The size of the survey sample is 1,090.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable. For this reason, the averages for individual components of income may not sum to the average of total income.

Welfare benefits are defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Rounding may cause slight discrepancies in sums and differences.

monthly income of $966.[11] According to respondents' reports, however, MFIP increased monthly income by only $3, although the impacts of $3 and $74 are not statistically different from each other. As with survey-reported employment, shown earlier, data on income sources from surveys may be subject to different types of biases if respondents have reasons to hide or overreport various sources of income, and it is easy to imagine that these reasons would differ by research group. For example, analyses using data from another welfare-to-work program with an enhanced earnings disregard found that control group members receiving welfare underreported employment more than their treatment group counterparts.[12] Also, respondents receiving welfare may underreport earnings and income relative to respondents not receiving welfare. For these reasons, data on income and income sources from the survey may not provide the best measure of MFIP's impacts, especially with respect to earnings and welfare income.

In terms of program impacts, the only consistent finding about the sources of income in Table 4.6 is that MFIP appears to have reduced the receipt of child support; 14.5 percent of MFIP families received child support in the month preceding the survey, compared with 19.3 percent of AFDC families. This result is somewhat odd inasmuch as child support income is not treated differently in benefit calculations under MFIP and AFDC. However, the increase in income produced by MFIP during the three-year period may have reduced recipients' desire to pursue child support or nonresident fathers' desire to pay. Another possible explanation is that both MFIP groups were more likely than the AFDC group to be on welfare throughout the period. Women receiving welfare have less incentive than those not on welfare to pursue child support payments, because only $50 of the payments are passed through to them, with the remainder being paid to the state to offset welfare costs.

Aside from the impacts on child support, the data in Table 4.6 provide a snapshot of the sources and levels of income available to single-parent long-term recipients. In terms of income levels, the survey data show that income from welfare and earnings substantially underestimates total resources available to recipients. For the MFIP group, for example, average income from all sources is $1,435, and average income from welfare and the respondent's earnings is $949. This discrepancy is due largely to the earnings of other adults in the household; 24.3 percent of the MFIP group reported that other adults in the family had earnings in the previous month.[13] The average amount received, including zeros for those who did not have this type of income, was $287.

This comparison suggests that an income measure based solely on earnings and welfare, as shown in Table 4.5, may not accurately capture family well-being. However, Figure 4.6 shows that it is a good measure for some families and a bad measure for others. The figure shows sources of family income, by the presence of other adults in the household. Among single parents who were living with a spouse or partner at the time of the survey, the respondent's earnings plus welfare accounted for less than half of family income. In contrast, for those who did not live with

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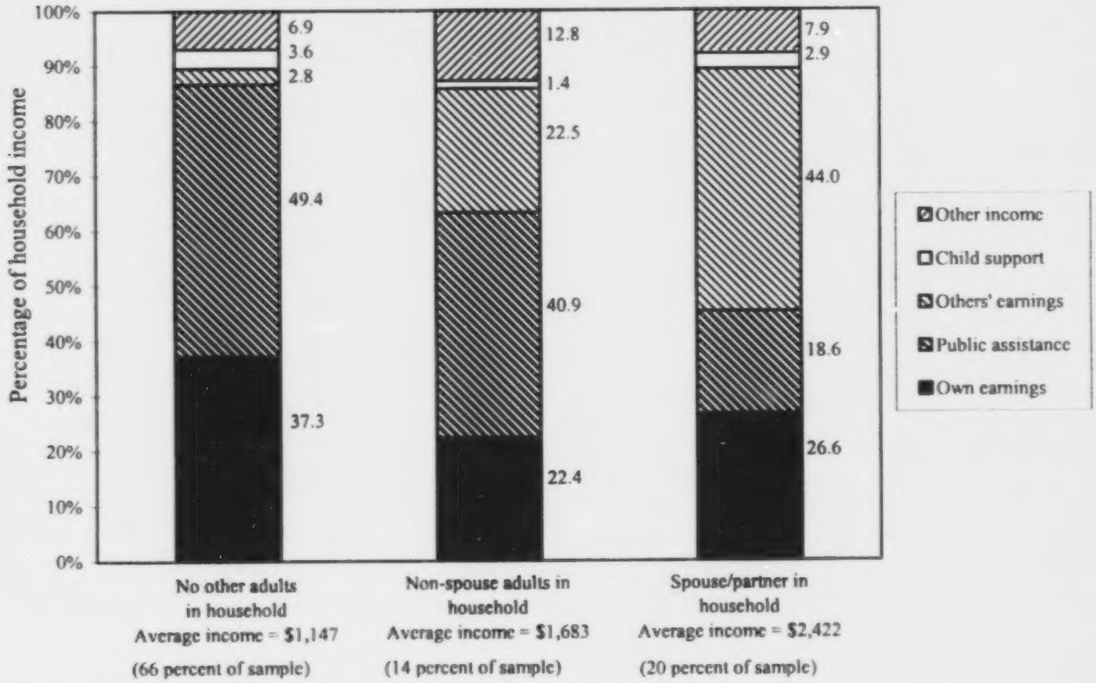
[11] The two sources are not measuring income in exactly the same time period. The records data refer to months 31 to 33 after random assignment, and the survey data refer to the month prior to the survey, which could have taken place 36 to more than 40 months after random assignment.

[12] Bloom et al., 2000.

[13] The majority of these respondents reported that there was a spouse or partner in the household.

Figure 4.6

Composition of Family Income for Single-Parent Long-Term Recipients, by the Presence of Other Adults in the Household



SOURCE: MDRC calculations using data from the 36-month survey.

NOTE: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

other adults at the time of the survey (66 percent of the sample), earnings plus welfare benefits made up nearly 90 percent of family income.

Thus, administrative records data provide an accurate measure of resources for a slight majority of the sample. In addition, it is important to remember that the survey presents a snapshot of the family 36 months after random assignment. Most respondents who reported living with a spouse or partner were probably not doing so for the entire follow-up period, because there was not a second parent in the home when they were randomly assigned. For this reason, the records data in Table 4.5 probably provide a better measure than the survey data do of long-term recipients' resources over the entire period.

D. Other Measures of Well-Being

The results so far indicate that MFIP produced substantial changes in the lives of many single-parent long-term recipients in urban counties, primarily with respect to their employment and income. This section uses data from the 36-month survey to examine MFIP's effects on their material hardship, health insurance coverage, residential mobility, and family structure. The results indicate that MFIP somewhat reduced respondents' perceptions of financial strain and increased the continuity of their health insurance coverage. (Because an extended survey was given to the sample of respondents analyzed in Volume 2, Effects on Children, that report presents MFIP's effects on additional measures of family well-being.)

Table 4.7 presents the results on family outcomes, and the first panel shows measures of material hardship. The survey included four questions designed to measure recipients' perceptions of financial strain (row 1) including "These days I can generally afford to buy the things we need" and "My financial situation is better than it's been in a long time." Responses could range from 1 ("strongly agree") to 4 ("strongly disagree"), and the average of responses to the four questions thus also can range from 1 to 4, with a higher number indicating greater financial strain.

The second set of questions about material hardship measured whether the family had been able to meet its basic needs during the previous 12 months. Respondents were asked, for example, whether they had ever been unable to pay monthly telephone or utility bills and whether they had ever needed to visit a doctor but could not afford it. The index of material hardship (row 2) was created as the sum of "yes" responses to seven questions and can range from 0 to 7, with a higher number indicating greater material hardship.

The average values for the AFDC group indicate that, although respondents generally were able to meet their basic needs, they did not feel especially secure financially. The value for the index of material hardship is 1.55, indicating that the average AFDC recipient responded "yes" to fewer than two of the seven questions. On the other hand, the value for perceptions of financial strain is 2.96, suggesting that the average AFDC respondent somewhat disagreed that she was financially secure. MFIP produced a small reduction in financial strain but did not affect material hardship. Although the added effect of the mandatory services increased material hardship, the net effect of the full MFIP program is statistically insignificant. The index of material hardship undoubtedly measures more severe economic deprivation than these long-term recipi-

Table 4.7

MFIP's Impacts on Family Outcomes for Single-Parent Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Material hardship						
Perceptions of financial strain	2.9	2.9	3.0	-0.1 *	-0.1	0.0
Index of material hardship	1.7	1.4	1.5	0.1	-0.1	0.3 **
Health insurance coverage						
Respondent continuously covered by health insurance during past 36 months (%)	69.2	75.0	61.3	7.9 **	13.6 ***	-5.7 *
Respondent currently covered by health insurance (%)	85.5	85.5	83.9	1.6	1.6	0.0
Respondent on Medicaid or MinnCare (%)	72.6	70.4	66.2	6.4 *	4.2	2.2
Residence and residential moves						
Number of times moved since random assignment (%)						
None	26.1	33.5	30.2	-4.2	3.2	-7.4 **
Once	28.4	28.2	29.0	-0.6	-0.7	0.1
2 or more times	45.6	38.3	40.8	4.8	-2.5	7.3 **
Marital status and cohabitation						
Currently married (%)	8.6	11.0	5.8	2.8	5.2 **	-2.4
Currently married or living with partner (%)	23.9	23.5	20.8	3.2	2.7	0.5
Sample size (total = 1,090)	372	366	352			

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

ents experienced in the absence of the program, suggesting that Minnesota's welfare and safety net programs were successfully preventing severe economic hardship.

The second panel in Table 4.7 presents data on health insurance coverage. Although MFIP did not affect the number of respondents currently covered by health insurance at the time of the survey, it did increase the percentage who were covered by either Medicaid or MinnCare, a subsidized insurance program for low-income families. Among the AFDC group, for example, 66.2 percent were covered by Medicaid or MinnCare, compared with 72.6 percent of the MFIP group, for an impact of 6.4 percentage points. This increase is consistent with the fact that the MFIP group were more likely to be on welfare at the end of the follow-up period. It is somewhat odd that the Incentives Only group, who were also more likely to be on welfare, were not more likely to report being on Medicaid or MinnCare. The impact of 4.2 percentage points is not statistically significant.

Another effect of MFIP was to increase the continuity of health insurance coverage; 69.2 percent of the MFIP group and 75 percent of the Incentives Only group reported that they had health insurance throughout the three-year period, compared with only 61.3 percent of the AFDC group. These impacts are also probably related to higher rates of welfare receipt by the two MFIP groups. It is somewhat surprising, however, that so many respondents reported spending time without health coverage, given the existence of transitional Medicaid and MinnCare for those who left welfare.[14]

The third panel of Table 4.7 reports information on the number of times families had moved since entering the program. MFIP might have affected rates of mobility if families used their higher income to upgrade housing or if they moved closer to jobs. The numbers for the AFDC group show a fair amount of mobility among long-term recipients; 40.8 percent moved two or more times in the three years after random assignment. MFIP did not have statistically significant effects on residential mobility.

The final panel of Table 4.7 presents data on marriage and cohabitation. Although previous evaluations of welfare-to-work programs have focused primarily on employment and welfare receipt, a considerable amount of research and debate have explored the effects of social policies on family formation. Most research has been based on an economic model of marriage, which states that individuals will decide to marry if the (economic) benefits of being married are greater than the benefits of being single.[15] Within this model, marital search is often thought of as akin to searching for a job; that is, the likelihood of marriage depends on the number of potential partners in the marriage market and the individual's "attractiveness" to these potential partners.

Although decisions about marriage are undoubtedly more complex than this, the model produces a number of implications for the potential effects of MFIP. First, MFIP increased income. For a single woman, an increase in income (such as welfare benefits or her own earnings) might decrease the incentive to marry, because she has less need for a spouse's income. Alternatively, an increase in income might increase her probability of marriage by increasing her attractiveness as a spouse. Recent ethnographic research on a sample of welfare recipients also suggests that higher income may encourage women to marry because it provides them with more bargaining power within the marriage.[16]

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[14] However, in field interviews, MFIP caseworkers reported a concern that if an MFIP group member closed her case but did not explicitly report that had she closed it because of employment, she did not receive transitional Medicaid.

[15] Becker, Landes, and Michael, 1977.

MFIP also increased employment rates. Single women who work may be more likely to marry than women who do not work because of the increased social contact afforded through work, or they might be less likely to marry if they work full time and have little time for other activities.

Finally, some programmatic elements of MFIP might have increased marriage — in particular, the elimination of the 100-hour rule for two-parent families and the changed treatment of stepparents' income when calculating benefit levels. Under AFDC-UP (AFDC-Unemployed Parent, the program for two-parent families), the family became ineligible for benefits if the primary wage-earner worked more than 100 hours per month. The elimination of this rule under MFIP might have encouraged marriage, because single-parent recipients would not necessarily lose their benefits if they married and their spouse worked.

Based on the economic model of marriage, it is difficult to predict MFIP's effects on single-parent long-term recipients. The results in Table 4.7 show that the incentives alone produced an increase in marriage rates but that the full program did not. Rates of marriage and cohabitation are low among these recipients (all of whom were reported as single at random assignment). Only 5.8 percent of the AFDC group were married at the time of the survey, and 20.8 percent were either married or living with a partner. Although marriage and cohabitation rates are somewhat higher for the MFIP group, these differences are not statistically significant. MFIP's incentives alone, however, produced a statistically significant increase in the rate of marriage; 11.0 percent of the Incentives Only group reported being married, for a 5.2 percentage point increase. The effect of adding the mandatory services, however, was to reduce this impact, leaving no net increase from the full program.[17] The results suggest that the increase in part-time employment and income among the Incentives Only group resulted in a higher marriage rate, although this impact could also have resulted from the programmatic elements of MFIP for two-parent families, as mentioned earlier.[18]

E. Effects for Subgroups in Urban Counties

Employment programs typically have different effects on different types of families, and it is easy to imagine that MFIP, with its focus on quick employment, might have had different effects on long-term recipients who were more versus less job-ready. This section presents impacts for several subgroups defined by level of disadvantage, where "disadvantage" is meant to capture the degree of difficulty recipients might have finding jobs. Because previous research[19] has found that education level, prior employment, and welfare history are very good predictors of subsequent employment outcomes, subgroups here are defined by these characteristics. In addition, because an earlier analysis found important differences between subgroups defined by housing status, impacts are also presented for them. Finally, impacts were also estimated for other subgroups, including those defined by race/ethnicity, age, and number of children. In general, in urban counties, MFIP had similar effects across this wide range of single-parent long-term recipients.

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[16] Edin, 1999.

[17] Recall from Table 4.6 that both MFIP groups were somewhat less likely (although not significantly so) to report having earnings from other members of the household. This is not necessarily inconsistent with the finding that the MFIP groups were more likely to have been married or cohabiting. First, the earnings of others might have included adults who were not the partner or spouse; second, because of the higher income MFIP provided, it might have affected the likelihood that the partner or spouse would work.

[18] MFIP did increase marriage rates for long-term recipients in the sample for the child study (see Gennetian and Miller, 2000) — that is, for single mothers with a child age 2 to 9 at random assignment.

Tables 4.8 and 4.9 present subgroup impacts on quarterly employment rates and quarterly earnings.[20] The outcomes for the AFDC subgroups show that education level and work experience are important predictors of subsequent employment (Table 4.8); only 35.7 percent of the AFDC subgroup without a high school degree worked each quarter in year 3, compared with 49.6 percent of the AFDC subgroup with a high school degree. Earnings are also substantially higher for the latter subgroup (Table 4.9). MFIP's impacts, however, vary only by work experience. Its impact on the employment rates for those who did not work in the year before random assignment is 16.5 percentage points, compared with 4.3 percentage points for those who did work, and the difference in impacts is statistically significant. The impact difference for this MFIP subgroup likely reflects the fact that the employment rate for the AFDC subgroup with no prior work experience is fairly low, making large increases easier to achieve. The impacts on earnings are also significantly different only across the subgroups defined by prior employment.

These results show that MFIP increased employment for a wide range of urban long-term recipients, including many who potentially would have had trouble finding jobs. Although the strong economy during this period may have contributed to these effects, the results are encouraging and are consistent with results from a recent study which found that several welfare-to-work programs increased average earnings across a range of subgroups.[21] The results for MFIP's effects on earnings, however, are less consistent but may be related to the fact that the financial incentives caused some workers in the more employable subgroups to reduce their work hours or to take lower-wage jobs. This can be seen most clearly for the subgroup who worked in the prior year. MFIP increased employment by 4.3 percentage points but decreased average earnings by $66, indicating that some workers in this subgroup reduced their hours or took lower-paying jobs.

The bottom panels in Tables 4.8 and 4.9 present subgroup impacts by housing status. An earlier, unpublished paper reported that MFIP's impacts after 18 months were substantially larger for long-term recipients who lived in public or subsidized housing at random assignment.[22] The present results show that the differences continued through the three years. MFIP's impact on quarterly employment rates in year 3 was 17.9 percentage points for the subgroup in public hous-

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[19] Michalopoulos and Schwartz, 2000.

[20] The subgroup impacts presented here are "unconditional." In other words, the impacts estimated for those without a high school diploma, for example, do not account for the fact that many of those without a diploma also had limited work experience, coupled with the fact that the program might have had different effects on those with limited work experience.

[21] Michalopoulos and Schwartz, 2000.

[22] Miller, 1998.

Table 4.8

MFIP's Subgroup Impacts on Average Quarterly Employment Rates in Year Three for Single-Parent Long-Term Recipients in Urban Counties

		Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome (%)	Percentage of Sample	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Education level							
No high school degree	33.6	45.2	34.9	35.7	9.5 ***	-0.9	10.4 ***
At least high school degree	66.4	61.8	54.5	49.6	12.2 ***	4.8 *	7.4 ***
Prior employment							
Did not work in year prior to random assignment	58.0	51.9	40.6	35.4	16.5 ***	5.1 *	11.3 ***
Worked in year prior to random assignment	42.0	62.1	58.8	57.8	4.3	1.0	3.4
Prior welfare receipt							
5 years or more	55.9	54.4	48.0	42.9	11.5 ***	5.1 *	6.4 **
Less than 5 years	44.1	58.4	49.2	47.7	10.8 ***	1.6	9.2 ***
Housing status							
Public/subsidized housing at random assignment	40.4	61.2	53.1	43.3	17.9 ***	9.8 ***	8.2 **
Private or other housing at random assignment	59.6	53.2	45.4	45.3	7.9 ***	0.1	7.7 ***
Sample size (total = 2,615)		846	835	934			

SOURCE: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Rounding may cause slight discrepancies in sums and differences.

Table 4.9

MFIP's Subgroup Impacts on Average Quarterly Earnings in Year Three for Single-Parent Long-Term Recipients in Urban Counties

		Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome ($)	Percentage of Sample	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Education level							
No high school degree	33.6	969	695	783	186	-88	274 **
At least high school degree	66.4	1,683	1,503	1,576	107	-73	180
Prior employment							
Did not work in year prior to random assignment	58.0	1,332	1,076	1,064	267 **	12	255 **
Worked in year prior to random assignment	42.0	1,589	1,458	1,655	-66	-197	131
Prior welfare receipt							
5 years or more	55.9	1,312	1,214	1,208	104	5	98
Less than 5 years	44.1	1,593	1,331	1,428	165	-97	262 *
Housing status							
Public/subsidized housing at at random assignment	40.4	1,657	1,415	1,324	333 **	90	243
Private or other housing at at random assignment	59.6	1,305	1,134	1,281	23	-147	170
Sample size (total = 2,615)		846	835	934			

SOURCE: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Rounding may cause slight discrepancies in sums and differences.

ing, compared with 7.9 percentage points for those in private housing. In addition, this difference in employment impacts derives entirely from larger impacts of the financial incentives alone (9.8 percentage points for the public housing subgroup versus 0.1 percentage points for the other subgroup). The earlier paper raised several possible explanations for this difference. Public and subsidized housing, for example, might provide the residential stability that people need in order to find and keep a job. In addition, the availability of subsidized housing may reduce a recipient's risk of taking a job, because her rent payments will be adjusted if she subsequently loses the job. Another possible explanation lies in the rent rules of public/subsidized housing. The amount of rent that a resident is required to pay is tied directly to her level of income; as her earnings increase, so does her rent, which creates a strong disincentive to work.[23] Thus, the public housing subgroups may have consisted of relatively more recipients who were "on the margin" of working, since many presumably would have worked in the absence of the rent subsidy disincentive. Employment policies are likely to have their largest employment effects on those who are on the margin of entering or leaving work.[24]

V. Effects on Single-Parent Long-Term Recipients in Rural Counties

This section presents MFIP's impacts on employment, earnings, and welfare receipt for single-parent long-term recipients in rural counties. Because rural families continued to be randomly assigned for several months after urban families, the amount of follow-up for these families is 10 quarters, or two years and three months. Also, impacts are shown only for the full program, because no families in the rural counties were assigned to the Incentives Only group.

Table 4.10 presents the impacts on rural recipients' employment, earnings, and welfare receipt. MFIP's effect on average quarterly employment in year 1 (11.8 percentage points) is similar to that found in the urban counties. However, the impacts diminished considerably by years 2 and 3.[25] This finding is consistent with results from the interim report, in which the large employment impacts in the rural counties began to fade by quarter 6. The bottom panel of the table shows that MFIP substantially increased welfare receipt in the rural counties, by 12.4 percentage points in year 2.

Table 4.11 presents MFIP's impacts on rural recipients' income and measured poverty. (Recall that income includes earnings plus welfare benefits only.) Incomes were lower, on average, in the rural counties than in the urban counties. MFIP increased average quarterly income fairly substantially, by $421 in quarter 10. This increase came entirely from the higher welfare benefits paid to working families. As a result of higher benefits, the MFIP group had higher incomes and lower rates of measured poverty.

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[23] The rent subsidy itself creates a disincentive to work — through an "income effect" — because it allows a recipient to not work and yet maintain the same standard of living as she would have if she were not receiving a rent subsidy.

[24] Note that because the rent subsidy is based on earnings plus welfare benefits, MFIP's financial incentives relative to AFDC were somewhat smaller for long-term recipients in public housing. This difference suggests that the employment impacts of the financial incentives alone should have been smaller for the public housing group.

[25] The employment impact in year 2 is significantly different from the impact for the urban sample (analysis not shown).

Table 4.10

MFIP's Impacts on Employment, Earnings, and Welfare for Single-Parent Long-Term Recipients in Rural Counties

Outcome	MFIP	AFDC	Impact (Difference)	Percentage Change
Employment and earnings				
Average quarterly employment rate (%)				
Year 1	43.8	32.0	11.8 ***	36.8
Year 2	50.3	44.5	5.8 *	13.0
Year 3 (quarter 10)	53.6	46.9	6.7	14.2
Number of quarters employed during the 9-quarter follow-up period (%)				
None	20.1	29.5	-9.4 ***	-31.9
1-4	31.6	31.5	0.1	0.4
5-9	48.3	39.1	9.3 **	23.7
Average quarterly earnings ($)				
Year 1	665	536	128	23.9
Year 2	1,002	1,019	-17	-1.7
Year 3 (quarter 10)	1,218	1,160	58	5.0
Welfare receipt				
Average quarterly receipt rate (%)				
Year 1	92.8	87.6	5.2 **	6.0
Year 2	81.9	69.5	12.4 ***	17.9
Year 3 (quarter 10)	74.1	59.2	14.9 ***	25.1
Average quarterly benefits ($)				
Year 1	1,915	1,646	269 ***	16.3
Year 2	1,583	1,192	391 ***	32.8
Year 3 (quarter 10)	1,345	983	362 ***	36.9
Sample size (total = 593)	295	298		

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Rounding may cause slight discrepancies in sums and differences.

Table 4.11

MFIP's Impacts on Income and Poverty for Single-Parent Long-Term Recipients in Rural Counties

Outcome	MFIP	AFDC	Impact (Difference)	Percentage Change
Average quarterly income				
Average quarterly income from welfare and earnings ($)				
Year 1	2,579	2,182	397 ***	18.2
Year 2	2,584	2,211	373 ***	16.9
Year 3 (quarter 10)	2,563	2,143	421 ***	19.6
Income and poverty in second year of follow-up				
Average quarterly income from welfare and earnings ($)	2,584	2,211	373 ***	16.9
Measured poverty[a] (%)	73	84	-11 ***	-12.9
Income and poverty in second year of follow-up with estimated taxes and EIC benefits[b]				
Average quarterly income from welfare and earnings ($)	2,786	2,377	409 ***	17.2
Measured poverty[a] (%)	66.0	78.6	-12.6 ***	-16.0
Income sources				
In last quarter of follow-up (%)				
Earnings, welfare	28.4	19.9	8.5 **	42.8
Earnings, no welfare	20.9	31.7	-10.8 ***	-34.0
No earnings, welfare	37.7	33.8	3.9	11.7
No earnings, no welfare	11.6	13.3	-1.7	-12.7
Earnings are more than half of total income (%)	37.6	38.0	-0.4	-0.9
Sample size (total = 593)	295	298		

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Rounding may cause slight discrepancies in sums and differences.

[a] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

[b] These estimates are calculated assuming that all eligible individuals received both the federal and the state Earned Income Credit. Estimated payroll taxes and federal and state income taxes are also subtracted.

For the rural sample in general, the survey data show impacts on other aspects of family well-being that are similar to the impacts for the urban sample. Because of the small size of the rural sample, however, most impacts are not statistically significant. For example, respondents in the MFIP group reported lower rates of material hardship and higher rates of Medicaid and MinnCare coverage than their AFDC counterparts, and they were somewhat more likely to report being married at the time of the survey; yet none of these impacts is statistically significant.

What might account for MFIP's smaller effects in rural counties? One factor may be that more of the rural AFDC group, compared with their urban counterparts, would have worked anyway. In year 2, for example, average quarterly employment rates were 44.5 for the rural AFDC group and 39.3 for the urban AFDC group. This is probably only part of the explanation, however, because the MFIP group's employment rates were also lower in the rural counties than in the urban counties. Rural and urban long-term recipients differed in a number of ways. For example, 90 percent of the rural families are white, compared with less than half of the urban families. Marital status was also different between rural and urban recipients; 45 percent of the rural single parents had never been married, compared with 70 percent of the urban single parents. To explore whether these differences help to explain MFIP's different effects, impacts were estimated by race/ethnicity and by marital status in the urban and rural counties. No significant differences were found by race/ethnicity; that is, MFIP's impacts were similar for white and black recipients. This suggests that race/ethnicity does not account for the rural-urban difference. As shown in Table 4.12, however, some differences were found by marital history. The results for urban counties show that MFIP's impacts on employment and earnings faded considerably by year 3 for the ever-married group; in fact, the earnings impact became negative in year 3, although it is not statistically significant. The results for rural counties show a similar pattern. The earnings and employment impacts for the never-married group were large and consistent throughout the two-year period, while the impacts for the ever-married group became negative by year 2.

One possible explanation for this difference is that the single parents who had previously been married were more likely to reunite with their ex-partners for some part of the follow-up period. Although the survey does not provide information on living arrangements and marital status throughout the follow-up period, recipients who had once been married were more likely than never-married recipients to report being married at the 36-month point, although not more likely to report living with a partner. In addition, rural recipients in general were more likely than urban recipients to have been married or to be cohabiting at the time of the 36-month survey. MFIP might have had less effect on single parents who were married or cohabiting, because they may have had less need to work. Also, married couples were eligible to receive MFIP's benefits, and they could choose which spouse would fulfill the participation requirements. Chapter 6 shows that the program's effects on two-parent families differed from its effects on single-parent recipients, and the pattern of impacts shown here for the ever-married groups is similar to the pattern found for women in two-parent families.

Thus, MFIP had smaller impacts in rural than in urban counties, and this may be accounted for in part by the somewhat higher employment rates for the AFDC groups in rural counties. It may also reflect that the rural sample includes more previously married recipients, on whom MFIP had different effects. This is only a partial explanation, however, because the im-

Table 4.12

MFIP's Impacts on Employment and Earnings for Single-Parent Long-Term Recipients, by Marital History

Outcome	MFIP	AFDC	Impact (Difference)	Percentage Change
Rural counties				
Never married				
Quarterly employment rate (%)				
Year 1	51.0	33.4	17.6 ***	52.8
Year 2	61.5	43.7	17.8 ***	40.7
Quarterly earnings ($)				
Year 1	701	540	161	29.7
Year 2	1,140	869	271	31.2
Ever married				
Quarterly employment rate (%)				
Year 1	37.1	30.3	6.8 *	22.3
Year 2	40.8	45.0	-4.2	-9.3
Quarterly earnings ($)				
Year 1	596	535	61	11.3
Year 2	862	1,137	-275 *	-24.2
Sample size (total = 587)	293	294		
Urban counties				
Never married				
Quarterly employment rate (%)				
Year 1	44.6	32.7	11.8 ***	36.1
Year 2	53.4	39.3	14.2 ***	36.1
Year 3 (quarters 1-3)	57.9	44.6	13.2 ***	29.6
Quarterly earnings ($)				
Year 1	658	537	121 **	22.5
Year 2	1,116	870	246 ***	28.3
Year 3 (quarters 1-3)	1,469	1,252	217 **	17.3
Ever married				
Quarterly employment rate (%)				
Year 1	49.2	33.2	15.9 ***	47.9
Year 2	52.8	39.7	13.1 ***	32.9
Year 3 (quarters 1-3)	53.0	46.0	7.0 *	15.2
Quarterly earnings ($)				
Year 1	782	528	254 ***	48.1
Year 2	1,169	1,004	165	16.4
Year 3 (quarters 1-3)	1,412	1,436	-24	-1.7
Sample size (total = 1,771)	845	926		

SOURCE: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

In rural counties, 44.6 percent of the total sample have never been married and 55.4 percent have been married. In urban counties, 68.3 percent of the total sample have never been married and 31.7 percent have been married.

Rounding may cause slight discrepancies in sums and differences.

pacts for both marital subgroups were larger in the urban counties. Another possibility is that the different effects relate to the fact that more rural than urban recipients were married or cohabiting by the end of year 3. In addition, of course, the rural and urban recipients probably differed in other ways not captured by these data. Finally, the local economy might have played a role. Although the unemployment rates in the rural counties were relatively low during the period, they were nearly three times the rates in the urban counties (in 1997, unemployment rates averaged 6.3 percent in the rural counties and 2.3 percent in the urban counties).

VI. A Closer Look at the Urban MFIP Group: Finding and Keeping Jobs

MFIP substantially increased employment among single-parent long-term recipients in urban counties. Despite the enhanced financial incentives and mandatory services, however, 15 percent of recipients in the MFIP group did not work during the three-year period, and many of those who did work did not stay employed long. This section takes a closer look at the MFIP group in urban counties, in an effort to highlight the types of recipients who may need extra help finding and keeping jobs.

Table 4.13 presents selected characteristics of long-term recipients in the MFIP group in urban counties, by the number of quarters they worked during the follow-up period, according to UI data and data collected by the Baseline Information Form (BIF) and Private Opinion Survey (POS) that recipients completed when they entered the evaluation. The top panel of the table presents several potential barriers to employment, many of which were identified in other research.[26] A comparison across columns indicates that most of these barriers were associated with employment during the follow-up period. Among MFIP recipients who did not work, for example, 49.6 percent did not have a high school diploma, compared with only 23.2 percent of those who worked seven quarters or more. Education level, work history, and emotional/health problems in particular seem to have been strongly correlated with employment. In contrast, child care problems do not appear to have been an important barrier to employment for the MFIP group, perhaps because the program successfully addressed their child care needs. In fact, it is possible that MFIP's services may have alleviated the extent to which many of these factors hindered employment. The focus here, however, is on the barriers that recipients continued to face in the presence of MFIP.

Figure 4.7 presents the association between each of the potential barriers to employment and the likelihood that an urban MFIP recipient worked during the follow-up period. For each barrier, the figure depicts (1) the gross effect, or the effect not accounting for the possible correlation of the barrier with other factors that might also influence employment; and (2) the net effect, which does account for this possible correlation. For example, although recipients with no high school diploma may have been less likely to find jobs than their more educated counterparts, their unemployment may not have resulted from low education per se but from the fact that they also tended to have less work experience. In this case, the net effect of education on employment would be small. Net effects are estimated in a regression framework; that is, employment is regressed on all the variables listed in Table 4.13.

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[26] See, for example, Danziger et al., 1999.

Table 4.13

Selected Characteristics of Single-Parent Long-Term Recipients in the MFIP Group in Urban Counties, by Employment During the Follow-Up Period

Characteristic (%)	Did Not Work	Worked Less Than 7 Quarters	Worked More Than 7 Quarters
Potential employment barriers			
No high school diploma[a]	49.6	40.4	23.2
No earnings in year prior to random assignment[b]	89.3	57.9	54.8
Low sense of efficacy[c]	55.4	42.2	37.8
Reported emotional/health problems[d]	52.6	33.5	21.6
Problems arranging for child care[e]	57.9	55.9	51.4
Problems with transportation[f]	61.3	48.7	39.3
Other characteristics			
Age			
25 to 34	46.6	45.5	43.4
35 or older	33.6	24.5	26.8
Race/ethnicity			
Black, non-Hispanic	43.4	45.1	37.7
White, non-Hispanic	35.7	37.0	53.7
Never married	60.3	68.4	67.5
Youngest child under age 6	64.1	63.5	63.8
Three or more children	37.4	35.2	28.1
Received welfare for 5 years or more prior to random assignment	61.7	59.4	53.1
Sample size (total = 846)	131	330	385

SOURCES: MDRC calculations using data from Background Information Form (BIF), Private Opinion Survey (POS), and Minnesota's Unemployment Insurance (UI) earnings records.

NOTES: The sample includes MFIP group members who were randomly assigned from April 1, 1994, to March 1996, excluding the small percentage who were receiving or applying only for Food Stamps when randomly assigned.

Barriers defined using the Private Opinion Survey are based on a slightly smaller sample size, since some sample members did not fill out this survey at random assignment.

[a] Defined using the Background Information Form.

[b] Defined using Minnesota's Unemployment Insurance (UI) earnings records.

[c] Defined using the Private Opinion Survey and based on individuals' responses about whether they agreed or disagreed that (1) they could do little to change important things, (2) they had little control over things happening, (3) they sometimes felt pushed around in life, and (4) they were angry, because they had no fair chance to succeed.

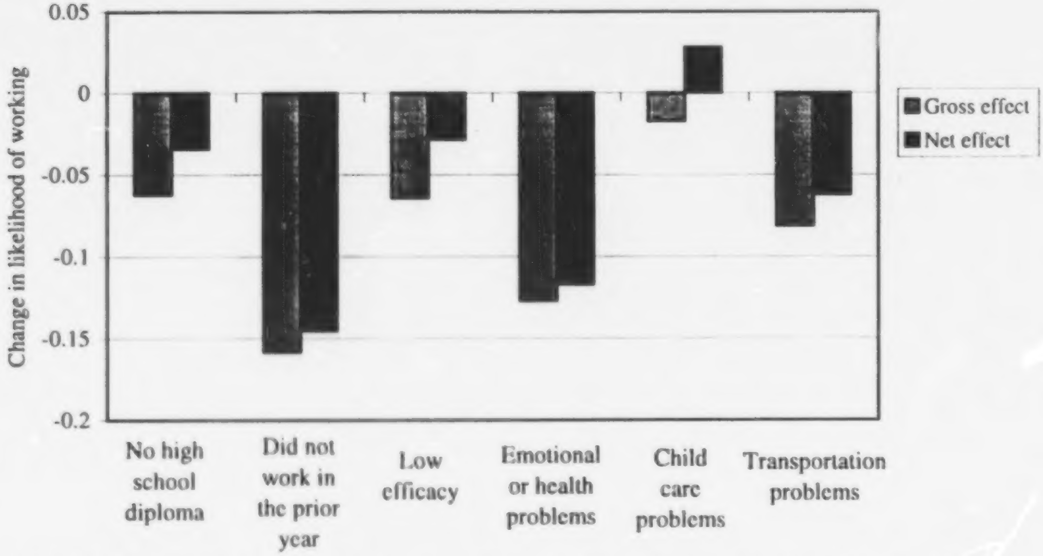
[d] Defined using the Private Opinion Survey as the percentage of respondents who agreed or agreed a lot that they could not work part time or full time because of health or emotional problems.

[e] Defined using the Private Opinion Survey as the percentage of respondents who agreed or agreed a lot that they could not work part time because they cannot arrange for child care.

[f] Defined using the Private Opinion Survey as the percentage of respondents who agreed or agreed a lot that they could not work part time because they had no way to get to work.

Figure 4.7

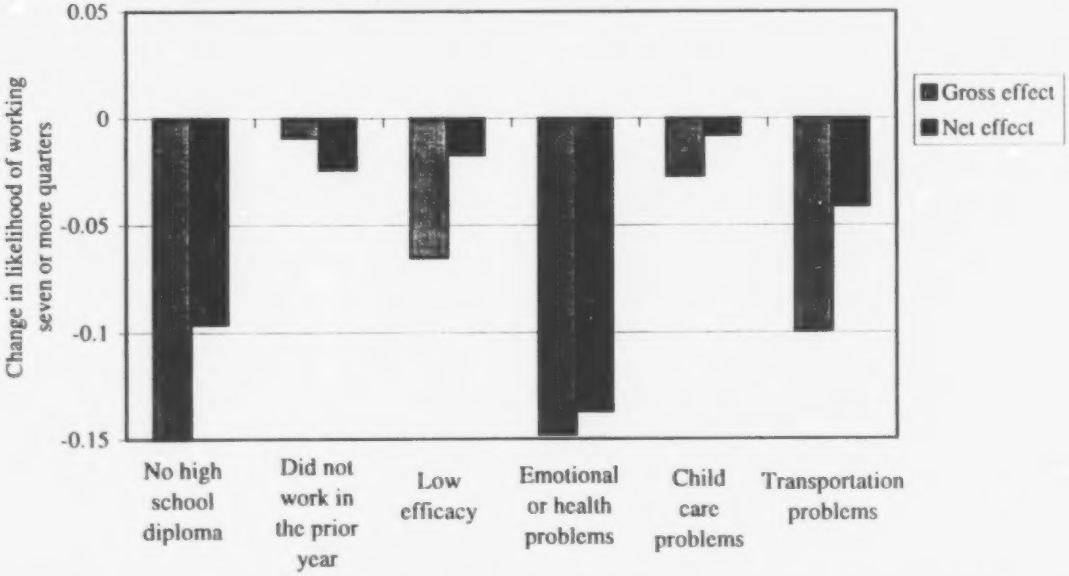
The Effects of Employment Barriers on the Likelihood of Working During Follow-Up for Single-Parent Long-Term Recipients in Urban Counties



SOURCES: MDRC calculations using data from Background Information Form (BIF), Private Opinion Survey (POS), and Minnesota's Unemployment Insurance (UI) earnings records.

Figure 4.8

The Effects of Employment Barriers on the Likelihood of Working Seven or More Quarters During Follow-Up, Among Those Who Worked at Least One Quarter, for Single-Parent Long-Term Recipients in Urban Counties



SOURCES: MDRC calculations using data from Background Information Form (BIF), Private Opinion Survey (POS), and Minnesota's Unemployment Insurance (UI) earnings records.

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The gross effects presented in Figure 4.7 are similar to the data in Table 4.13, showing that all the reported barriers except child care problems reduced the likelihood of employment among the urban MFIP group. Their limited work experience, in particular, was a barrier; those with no work in the year prior to random assignment were 15 percent less likely to have worked during follow-up. The gross effects help to provide profiles of the types of long-term recipients who are likely to have problems finding jobs. This information can be used to target services. The net effects, in contrast, provide clues about why these targeted recipients have trouble finding jobs. As the figure shows, after other factors are accounted for, prior work experience and reported emotional/health problems remained strong predictors of subsequent employment for this group (their effects are statistically significant). The effects of low education and low sense of efficacy, in contrast, are no longer statistically significant. In other words, individuals without a high school diploma were less likely to work but not, apparently, because of education per se. In contrast, limited work experience appears to have affected employment outcomes directly, given that its effect holds up after accounting for other factors. Finally, a separate analysis (not shown) indicated that the number of barriers these individuals faced affected their employment prospects. For example, recipients who had several barriers (such as low education, limited work experience, and emotional/health problems) worked much less during the period than those with fewer barriers.

The results for the urban MFIP group suggest that caseworkers might identify recipients who are likely to have trouble finding jobs, by using such characteristics as education, work experience, and reported emotional/health problems.[27] When designing services, however, they might want to look more closely at the avenues through which limited work experience and emotional/health problems affect employment. In this analysis, the net effects of work experience and of emotional/health problems are only suggestive, because the analysis does not control for all possible factors that might be correlated with these barriers and also affect employment.

Figure 4.8 presents the gross and net effects of each of the employment barriers on the likelihood that urban MFIP group members worked for at least seven quarters, among those who worked for at least one quarter — or the likelihood of staying employed. Although prior work experience did affect the likelihood of getting a job (Figure 4.7), this figure shows that it did not affect the likelihood of staying employed. In contrast, a recipient's education level and reported emotional/health problems were both strongly associated with staying employed (in terms of both gross and net effects). Other research has found that individuals with low education levels have difficulty staying in jobs.[28] They may be less able to adapt to changes in the work environment, for example, or to deal with workplace conflicts. In this era of time-limited welfare, designing services that increase job retention is clearly a priority. These results suggest that low education and reported emotional/health problems may be important factors to address.

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[27] Danziger et al. (1999) used data for a sample of welfare recipients in Michigan and found that the following barriers affected employment: low education, few work skills, limited access to transportation, drug dependence, depression, and experiences of perceived workplace discrimination.

[28] Holzer and LaLonde, 1998.

VII. Highlights from Volume 2, *Effects on Children*

A central concern surrounding welfare reform is how children will fare if their parents are subject to policies such as work mandates, time limits, and enhanced financial incentives. Effects on Children, Volume 2 of the final report on MFIP, provides one of the first looks at this issue by examining how children fared in the program.[29] The study followed a subset of the full evaluation sample: single mothers with children age 2 to 9 at random assignment. Selected results for long-term recipients in urban counties are highlighted below.

- **Compared with mothers in AFDC, mothers in MFIP reported that their children exhibited fewer behavioral problems and did better in school.** In the urban counties, single mothers in MFIP reported that their children exhibited fewer problem behaviors — such as being cruel, disobedient, or moody — and performed better and were more engaged in school. For example, on a question asking mothers to rate their children's performance in school, 7.2 percent of mothers in MFIP reported their children's performance as below average, compared with 12.3 percent of AFDC mothers.

- **Mothers in MFIP were more likely than AFDC mothers to use formal child care, particularly child care centers, and their children were more likely to have had continuous health insurance coverage.** Urban long-term recipients in MFIP were more likely than their counterparts in AFDC to use child care during the three-year period, especially formal care. Most of the single mothers who used formal child care because of MFIP used it consistently. Children in MFIP were also more likely than children in AFDC to have been covered continuously by health insurance, primarily Medicaid or MinnCare.

- **Single mothers in MFIP were more likely to marry and were less likely to experience domestic abuse.** At the three-year mark, 11.3 percent of MFIP mothers were married, compared with 6.2 percent of AFDC mothers, for a statistically significant increase of 5 percentage points. In addition, MFIP reduced the incidence of domestic abuse among urban long-term recipients; 59.6 of AFDC mothers reported experiencing domestic abuse during the three-year follow-up period, compared with 49.1 percent of MFIP mothers, for a 10.5 percentage point reduction.

Although the findings above and the most extensive data on children and families are for the sample of mothers with children age 2 to 9 at random assignment, the 36-month survey also obtained information on selected outcomes for children in the full sample of long-term recipients. The findings for the full sample are similar to, but less consistent than, the findings mentioned above. For example, mothers in MFIP were less likely than mothers in AFDC to report that their children were performing poorly in school; however, for the other two schooling outcomes (grade repetition and behavioral problems in school), there were no differences between the two groups in the full sample. Finally, information on child and family well-being was also available for single-parent long-term recipients in rural counties; in general, few statistically significant effects were observed for this group. Again, however, the sample of rural recipients is very small, and so the observed impacts are less reliable.

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[29] See Gennetian and Miller, 2000.

VIII. Summary and Conclusions

Between 1994 and 1996, a group of single parents who had been on AFDC for at least two years entered MFIP. As a result of the program's enhanced financial incentives and mandatory services, more of these long-term recipients worked than would have otherwise, they earned more on average, and they had higher incomes. (Figure 4.9 summarizes MFIP's effects on single-parent long-term recipients. The arrows indicate the direction of the impacts.) Through these direct outcomes, MFIP also improved their perceptions of financial well-being and increased the continuity of their health insurance coverage.

Figure 4.9

Summary of MFIP's Effects on Single-Parent Long-Term Recipients

Employment	↑
Earnings	↑
Welfare receipt	↑
Welfare as only income source	↓
Income	↑
Poverty	↓
Child support receipt	↓
Financial strain	↓
Continuous health insurance coverage	↑

NOTES: Most long-term recipients in MFIP who took jobs worked full time, in moderate-quality jobs, and they stayed employed for a year or more.

The impacts were smaller in rural counties.

Results show that a program that combines incentives and mandates can have important effects on families who have been on welfare for a long time. However, when thinking about the effects of such a program in other contexts, it is important to remember that these results reflect specific conditions that existed in Minnesota during the evaluation. First, the local economy was very strong: Unemployment rates were below the national average, as low as 3 percent in some urban counties, and caseworkers often reported to field researchers that recipients who wanted a job and were able to work would have no trouble finding one. Although there has not been much research exploring the relationship between the local economy and a program's impacts, it is easy to imagine that a program like MFIP might have very different effects in a less favorable economic environment.

Second, the long-term recipients in this evaluation may be unique, and such a group might not exist in the future. Prior to MFIP, Minnesota's AFDC program did not require participation in employment services as a condition of welfare receipt. Thus, many individuals in this group of long-term recipients had been on welfare for long periods of time with few work requirements. It is likely that future long-term recipients who are being exposed to the current environment will be less employable, or face more barriers to employment, than the sample evaluation. It is encouraging that MFIP increased employment for a range of subgroups, including recipients with less education and long periods of welfare receipt, but it should be kept in mind that a similar program may have somewhat different effects on a caseload that faces many barriers to employment.

Chapter 5

MFIP's Effects on Single-Parent Recent Applicants

I. Introduction

The results presented so far show that the Minnesota Family Investment Program (MFIP) affected a wide range of outcomes for single-parent long-term recipients. This chapter presents MFIP's effects on the other key subgroup — recent applicants. The recent applicant subgroup includes individuals who were applying for Aid to Families with Dependent Children (AFDC) when they were randomly assigned to MFIP and those who had been receiving benefits at program entry but were not yet required to participate in employment services because they had been on welfare for fewer than 24 of the previous 36 months.

The chapter examines MFIP's effects in both urban counties (Section III) and rural counties (Section IV) on recent applicants' employment, earnings, and welfare receipt as well as other measures of family well-being in the nearly three years after these single parents entered the program. Because many recent applicants left welfare early and were never required to participate in MFIP's mandatory services, the results in this chapter are not a good indication of the combined effects of financial incentives plus mandates on those who eventually were required to participate. Those results are better examined in Chapter 4.

II. Summary of the Findings

Results shown in the interim report[1] indicate that MFIP modestly increased employment rates for a group of new applicants but did not increase their average earnings.[2] Earnings did not increase because many applicants worked part time and because some who would have worked full time reduced their weekly work hours. MFIP increased their incomes by increasing welfare receipt. The program impacts were measured relative to AFDC, a term used to denote the range of programs MFIP replaced — AFDC, Food Stamps, Family General Assistance, and the STRIDE program.

This chapter updates the interim report's results by presenting MFIP's impacts for nearly three years. Did the program's effects on single-parent recent applicants change over time as more of them approached the time trigger to participate in mandatory employment services? Did the program eventually increase employment, and did it continue to affect recent applicants' decisions about part-time versus full-time work?

- **Across all counties, MFIP modestly increased employment among single-parent recent applicants but did not increase average earnings. Earnings were not higher on average because more recent applicants worked part time and more worked at low wages. The increase in part-time work**

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[1] Miller et al., 1997.

[2] In this report, both short-term recipients and new applicants are included in the group called "recent applicants."

occurred only during the early part of the follow-up period, before many recent applicants became subject to MFIP's participation mandates.

Table 5.1 shows that MFIP had very different effects for recent applicants than for long-term recipients. Across all counties, for example, MFIP increased employment rates in each quarter by 3.3 percentage points but had no statistically significant effects on average earnings. The smaller effects for this group of single parents appear to reflect that more of the recent applicants would have worked or left welfare in the absence of the program. A comparison of Tables 4.1 and 5.1 shows that welfare receipt was much lower for recent applicants than for long-term recipients, meaning that fewer recent applicants would have been subject to the MFIP treatment. Any program faces a difficult hurdle when a relatively higher proportion of the group would leave welfare or return to work even without the program.

Part of the difference in effects between recent applicants and long-term recipients might also reflect the fact that most recent applicants, because they had not stayed on welfare for 24 months, were subject only to MFIP's enhanced financial incentives during most of the follow-up period. Because many recent applicants would have worked or left welfare anyway, it is hard to say whether the effects would have been larger if these single parents had been required to participate immediately in the employment services when they entered the program.

- **Among single-parent recent applicants, MFIP increased the number of families receiving welfare, because it allowed more working families to receive benefits, but it modestly reduced the number of families relying solely on welfare. The increase in benefits resulted in higher incomes and a reduction in measured poverty.**

MFIP's enhanced financial incentives allowed more single-parent working families to remain eligible for benefits than would have been the case under AFDC. Among recent applicants in all counties, for example, 62.6 percent of MFIP families received welfare in each quarter, compared with 53.4 percent of AFDC families. MFIP also reduced the number of families who relied solely on welfare; in each quarter, 32.1 percent of recent applicants in the AFDC group relied solely on welfare, compared with 30.1 percent in the MFIP group. Because of the increase in benefits, MFIP families' average income in each quarter from benefits and earnings was $198 higher. For single-parent recent applicants, then, although MFIP's incentives did not buy large increases in employment or large reductions in dependence, they did buy increases in income and a reduction in poverty — two key goals of the program.

III. Effects on Single-Parent Recent Applicants in Urban Counties

This section presents MFIP's impacts on employment, earnings, and welfare receipt for single-parent recent applicants in urban counties during the two years and nine months after they entered the program. Impacts on other aspects of family well-being were estimated using data from the 36-month survey. Administrative records data on benefit receipt suggest that at least 20 percent of recent applicants would have been required to participate in MFIP's mandatory

Table 5.1

Summary of MFIP's Impacts on Employment, Welfare, Income, and Marriage for Single-Parent Recent Applicants

	Urban Counties			Rural Counties			All Counties[a]		
Outcome	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)
Quarterly averages during the first 10 quarters									
Employed (%)	54.7	51.4	3.3 ***	58.0	54.2	3.8 *	55.3	52.1	3.3 ***
Earnings ($)	1,459	1,495	-36	1,465	1,492	-27	1,470	1,509	-39
Receiving welfare (%)	62.1	54.0	8.1 ***	67.2	52.2	15.1 ***	62.6	53.4	9.2 ***
Welfare benefits ($)	1,060	844	217 ***	1,126	774	352 ***	1,060	823	237 ***
Welfare was only source of income (%)	30.2	32.7	-2.5 **	30.8	30.4	0.4	30.1	32.1	-2.0 **
Income from welfare and earnings ($)	2,520	2,339	181 ***	2,591	2,265	325 ***	2,530	2,332	198 ***
Income from welfare and earnings with estimated EIC benefits ($)[b]	2,602	2,391	210 ***	2,730	2,361	369 ***	2,620	2,390	230 ***
In the month prior to the 3-year follow-up[c]									
Married and living with spouse (%)	16.8	15.1	1.7	22.6	28.5	-6.0	17.0	17.2	-0.2
Sample size (total = 5,029)	1,916	2,133		497	483		2,413	2,616	

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

[a] A higher fraction of the caseload in the rural counties than the urban counties was randomly assigned into the evaluation, meaning that the rural counties are over-represented in the full evaluation sample. To account for this when estimating impacts for urban and rural counties combined the rural counties were weighted down by a factor of .66.

[b] These estimates are calculated assuming that all eligible individuals received both the federal and the state Earned Income Credit. Estimated payroll taxes and federal and state income taxes are also subtracted.

[c] These estimates are calculated using data from the 36-month client survey. The sample sizes are 1,006 in urban counties, 272 in rural counties, and 1,278 in all counties.

employment activities (that is, they would have accumulated 24 months of receipt) by the end of year 2, and 50 percent would have been required to participate by the end of year 3.[3]

The results in Table 5.1 show that MFIP modestly increased single-parent recent applicants' employment rates during the follow-up period but did not increase their average earnings. Data for the AFDC group indicate that many recent applicants would have worked in the absence of MFIP, making it more difficult for the program to achieve large employment gains. MFIP's financial incentives increased welfare receipt, because they allowed recent applicants to continue receiving some benefits while they worked, and the increase in benefits increased average incomes. As was also found for long-term recipients, MFIP increased the number of recent applicants covered by Medicaid or MinnCare and increased the continuity of their health insurance coverage.

A. Employment, Earnings, and Welfare Receipt

Figures 5.1 and 5.2 present MFIP's impacts on quarterly employment and earnings for single-parent recent applicants. Data for the AFDC group illustrate one of the key differences between recent applicants and long-term recipients; 54 percent of the recent applicant AFDC group worked in the quarter of random assignment, compared with only 28 percent of long-term recipients (see Figure 4.1). Employment rates for recent applicants stayed fairly constant throughout the follow-up period, at between 50 and 60 percent. Despite the constancy of employment rates, however, average earnings more than doubled over the period, from $881 to $2,095 for the AFDC group, indicating substantial earnings growth among those employed. MFIP modestly increased employment rates throughout the follow-up period. In the last quarter, for example, 58 percent of the MFIP group worked, compared with 55 percent of the AFDC group, for a statistically significant difference of 3 percentage points. MFIP did not increase average earnings, as shown in Figure 5.2.

MFIP's impacts on welfare receipt are shown in Figures 5.3 through 5.5. As was the case for employment rates, single-parent recent applicants differed from long-term recipients in that they left welfare much more rapidly. By quarter 12, only 34 percent of the AFDC group were still receiving welfare. MFIP increased welfare receipt over the entire follow-up period by about 7 to 9 percentage points. Average payment amounts were also higher in each quarter (see Figure 5.4). The increase in welfare receipt is consistent with MFIP's enhanced financial incentives, which allowed families who worked to keep a greater fraction of their benefits. Despite higher rates of welfare receipt, however, MFIP families were less likely to rely solely on welfare throughout the follow-up period (see Figure 5.5). The impacts in quarters 8 through 12 are statistically significant.

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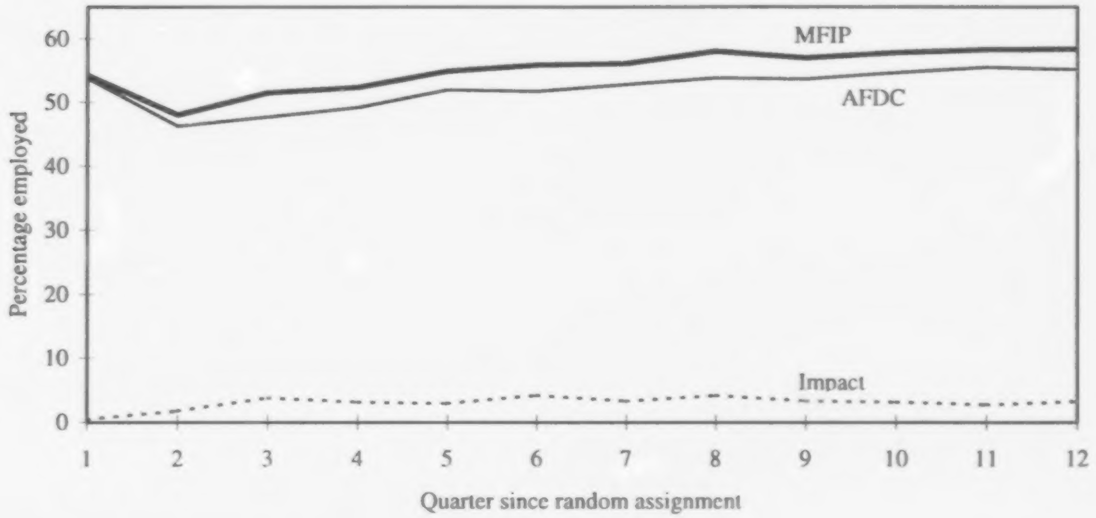
[3] These numbers may be underestimated, because the administrative records for welfare receipt cover only 12, rather than 24, months prior to random assignment. However, they may also be overestimated, because they do not account for the fact that some of the individuals who accumulated 24 months of receipt were working at least 30 hours per week and, thus, would have been exempt from the participation requirements.

Figure 5.1

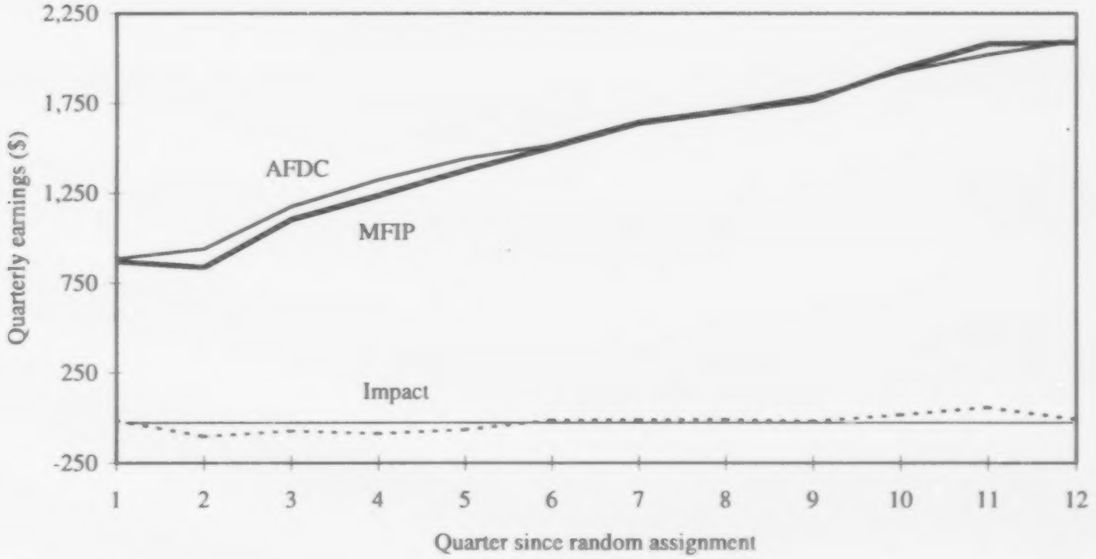
Quarterly Employment Rates for Single-Parent Recent Applicants in Urban Counties



SOURCE: See Table E.2 for data corresponding to figure.

Figure 5.2

Quarterly Earnings for Single-Parent Recent Applicants in Urban Counties



SOURCE: See Table E.2 for data corresponding to figure.

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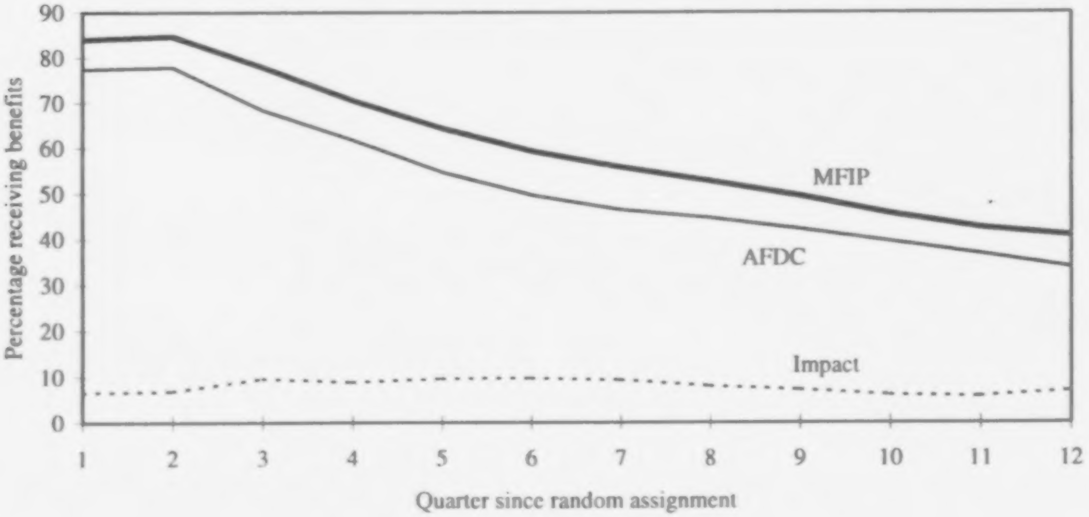
Figure 5.3

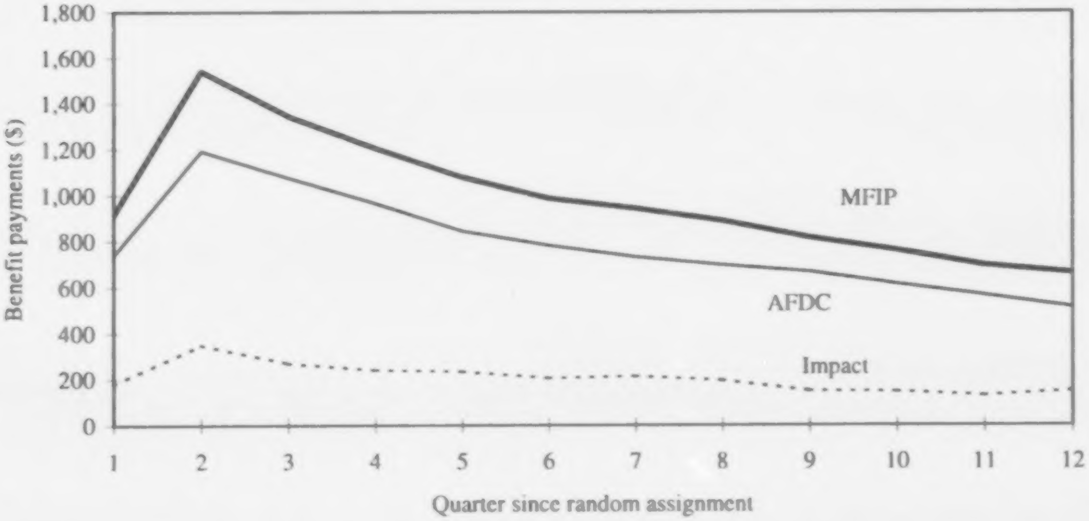
Quarterly Welfare Receipt for Single-Parent Recent Applicants in Urban Counties



SOURCE: See Table E.2 for data corresponding to figure.

Figure 5.4

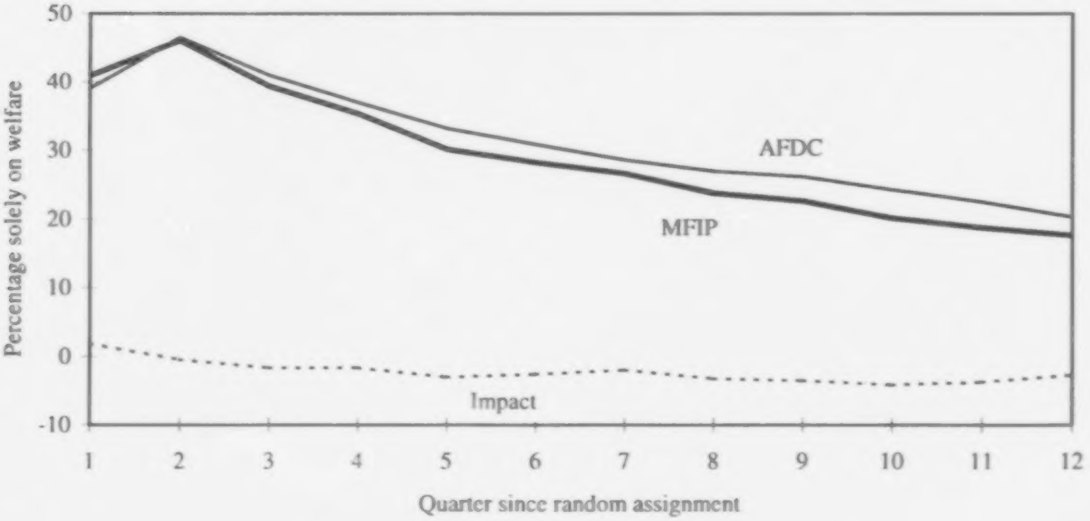
Quarterly Benefits for Single-Parent Recent Applicants in Urban Counties



SOURCE: See Table E.2 for data corresponding to figure.

Figure 5.5

Percentage of Single-Parent Recent Applicants in Urban Counties Who Relied on Welfare Benefits as Their Only Income Source



SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) records and public assistance benefit records.

Although MFIP's increase in welfare receipt would appear to be due to the fact that a greater proportion of recent applicants in the MFIP group qualified for benefits in the quarter of random assignment, additional analyses suggest that the MFIP group stayed on welfare longer.[4] When the impacts were adjusted for welfare receipt differences in quarter 1, members of the MFIP group were still more likely than members of the AFDC group to receive welfare in the remaining quarter of follow-up.

Table 5.2 presents impacts on summary measures of employment, earnings, and welfare receipt for single-parent recent applicants in urban countries. (Quarterly data are presented in Appendix E.) As also shown in Figure 5.1, MFIP increased average quarterly employment rates by 3 to 4 percentage points in each year. In year 3, for example, an average of 55.3 percent of the AFDC group worked each quarter, compared with 58.1 percent of the MFIP group. The sixth and eighth columns show that the financial incentives alone increased employment in year 1 and that adding the mandatory services to the incentives increased employment in years 2 and 3. This pattern of effects is consistent with the results for long-term recipients in urban counties, for whom the incentives alone produced a slight majority of the increase in employment rates in year 1 (see Table 4.2). Results for both groups of single parents indicate that those who got jobs because of the enhanced incentives did so fairly quickly. Note that the impacts of the financial incentives alone should be interpreted with some caution, given that there were some modest baseline differences found between the Incentives Only group and the other two research groups (see Appendix D).

Despite the small, positive impact on employment rates, MFIP did not increase average earnings. In year 3, for example, the MFIP group earned on average $2,032, compared with $2,017 for the AFDC group. The fact that employment rates increased but earnings did not suggests that the incentives caused some single parents to cut back their average hours worked. Alternatively, as was found for long-term recipients in the Incentives Only group, financial incentives may have encouraged recent applicants to take lower-paying jobs. The results discussed later suggest that the lower earnings reflect both these changes — lower hours and lower wages.

Again as for long-term recipients in urban counties, the data show that earnings did increase over time for recent applicants who worked in both year 1 and year 3. Among those in the MFIP group who worked in both periods, for example, 23.5 percent earned more than $2,000 in each quarter of year 1, compared with 37.4 percent during year 3. In terms of impacts, MFIP increased the percentage of recent applicants who worked during years 1 and 3 and who earned $500 to $2,000 per quarter. There were no differences between the groups, however, by year 3.

Impacts on welfare receipt are shown in the last panel of Table 5.2. By year 3, only 36.6 percent of the AFDC group were still receiving welfare in each quarter. MFIP increased welfare receipt for single-parent recent applicants throughout the follow-up period, reaching 6.4 percentage points on average in year 3. A comparison of the other impact columns shows that

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[4] Although the application process in the field trials was designed to accept similar numbers of experimental and control group members, a slightly higher percentage of the MFIP group than of the AFDC group received benefits in quarter 1. An examination of several individual cases did not point to any one reason for the different acceptance rates.

Table 5.2

MFIP's Impacts on Employment, Earnings, and Welfare for Single-Parent Recent Applicants in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC		MFIP Incentives Only vs. AFDC		MFIP vs. MFIP Incentives Only	
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Percentage Change	Impacts of Financial Incentives Alone	Percentage Change	Impacts of Adding Mandatory Services and Reinforced Incentive Messages	Percentage Change
Employment and earnings									
Average quarterly employment rate (%)									
Year 1	51.8	51.5	48.8	3.0 **	6.1	2.7 *	5.5	0.3	0.6
Year 2	56.8	53.4	53.1	3.7 ***	6.9	0.2	0.4	3.5 **	6.5
Year 3 (quarters 1-3)	58.1	55.3	55.3	2.8 **	5.1	0.0	0.0	2.8 *	5.1
Number of quarters employed during the 11quarter follow-up period (%)									
None	14.8	16.1	18.1	-3.3 ***	-18.3	-2.0	-10.9	-1.4	-8.4
1-4	21.2	24.9	23.6	-2.3 *	-9.9	1.3	5.6	-3.7 **	-14.7
5-8	27.2	24.6	22.9	4.3 ***	18.6	1.7	7.4	2.6	10.5
9-11	36.8	34.4	35.4	1.4	3.9	-1.0	-2.9	2.4	7.1
Average quarterly earnings ($)									
Year 1	1,146	1,150	1,216	-70	-5.8	-66	-5.4	-4	-0.4
Year 2	1,655	1,552	1,666	-11	-0.7	-114	-6.9	103	6.7
Year 3 (quarters 1-3)	2,032	1,881	2,017	15	0.7	-136	-6.7	151 *	8.0
Earnings growth									
Employed in year 1 and year 3 (%)	56.7	55.2	52.5	4.1 ***	7.9	2.7	5.1	1.5	2.6
Average quarterly earnings in year 1									
Less than $500 (%)	9.4	7.8	8.0	1.4	17.7	-0.2	-2.9	1.6	21.2
$500-$2,000 (%)	23.8	25.2	19.0	4.7 ***	24.9	6.2 ***	32.7	-1.5	-5.8
More than $2,000 (%)	23.5	22.2	25.5	-2.0	-7.9	-3.3 **	-13.0	1.3	5.8
Average quarterly earnings in year 3									
Less than $500 (%)	5.1	5.8	4.3	0.9	20.7	1.5 *	36.1	-0.7	-11.3
$500-$2,000 (%)	14.1	13.9	12.4	1.7	14.1	1.5	12.1	0.2	1.8
More than $2,000 (%)	37.4	35.6	35.9	1.5	4.2	-0.4	-1.0	1.9	5.2

(continued)

Table 5.2 (continued)

	Average Outcome Levels			MFIP vs. AFDC		MFIP Incentives Only vs. AFDC		MFIP vs. MFIP Incentives Only	
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Percentage Change	Impacts of Financial Incentives Alone	Percentage Change	Impacts of Adding Mandatory Services and Reinforced Incentive Messages	Percentage Change
Welfare receipt									
Average quarterly receipt rate (%)									
Year 1	74.2	74.2	65.8	8.4 ***	12.8	8.4 ***	12.8	0.0	0.0
Year 2	54.1	55.9	45.9	8.2 ***	18.0	10.0 ***	21.7	-1.7	-3.1
Year 3 (quarters 1-3)	43.1	47.0	36.6	6.4 ***	17.5	10.3 ***	28.1	-3.9 **	-8.3
Average quarterly benefits ($)									
Year 1	1,289	1,317	1,024	265 ***	25.9	293 ***	28.6	-28	-2.1
Year 2	907	995	722	185 ***	25.6	273 ***	37.9	-88 **	-8.9
Year 3 (quarters 1-3)	709	835	561	147 ***	26.2	274 ***	48.8	-126 ***	-15.1
Sample size (total = 5,029)	1,916	980	2,133						

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Rounding may cause slight discrepancies in sums and differences.

this increase came from the financial incentives. In fact, adding the mandatory services to the incentives began to decrease welfare receipt in year 3, during which, on average, the MFIP group received $126 less in benefits than the Incentives Only group.

The impacts of adding the mandatory services to the financial incentives show that the mandates were beginning to take effect for a small fraction of the sample by year 3. Adding the mandates to the incentives also began affecting employment behavior in year 3, and adding the mandates increased earnings by $151. As mentioned earlier, it is estimated that at least 20 percent of the sample had accumulated 24 months of welfare receipt by the end of year 2 and that 50 percent had done so by the end of year 3. Thus, by the end of year 3, about half the recent applicants in urban counties were subject to MFIP's requirement that they work 30 hours per week or participate in the employment and training activities. The effects of the mandates for those who are required to participate are diluted, however, because these individuals make up only about half the sample. In addition, it is unlikely that the mandated employment activities would have increased employment immediately. Recall that the effects of adding the mandates to the incentives for long-term recipients began to appear only by the end of year 1.

Table 5.3 presents data on respondents' last-held or currently held jobs at the time of the 36-month survey. The top rows present the percentages of urban recent applicants in the survey sample who worked during the period, according to both UI records and the survey. According to UI records, 87.4 percent of the MFIP group worked during the 11-quarter follow-up period, whereas 90.0 percent of the MFIP group reported on the survey that they had worked at some point since random assignment. Although the survey data show a slightly larger effect on employment than do the UI data — a 5.1 percentage point increase versus a 2.2 percentage point increase — these two impacts are not significantly different from a statistical standpoint.

MFIP increased the percentage of urban recent applicants who worked full time (from 62.2 percent to 70.3 percent), and most of this increase was in jobs where they worked 35 to 44 hours per week. The latter finding differs from results from the 12-month survey (shown in the interim report), in which more of the MFIP group reported working 20 to 34 hours per week. One reason for the increase in hours over time may be that MFIP's employment services became mandatory for part of the sample by the end of follow-up, when work hours were measured. Another reason may be that fewer recent applicants were still receiving welfare by the 36-month point and thus were not subject to MFIP and its incentives, which may have encouraged part-time work. For both of these reasons, the incentives — responsible for the increase in part-time work — were a relatively weaker influence by the time of the 36-month survey.

The bottom two panels of Table 5.3 show that MFIP did not affect the types of jobs that these single parents obtained, in terms of benefits provided. However, it did increase the percentage of urban recent applicants who worked at very low-wage jobs (less than $5 per hour) and at moderate-wage jobs ($7 to $9 per hour). Most of the increase in employment was in moderate-wage jobs; 22.9 percent of the AFDC group earned $7 to $9 per hour, compared with 28.5 percent of the MFIP group. Because MFIP produced very few impacts on employment timing and stability for single-parent recent applicants in urban counties, these results are not shown.

Table 5.3

MFIP's Impacts on Wages, Hours Worked, and Benefits in Current or Most Recent Job for Single-Parent Recent Applicants in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
From administrative records						
Worked during the 11-quarter follow-up period (%)	87.4	83.2	85.2	2.2	-2.0	4.1
From 36-month survey						
Worked since random assignment (%)	90.0	87.2	84.9	5.1 **	2.3	2.9
Hours worked per week in current or most recent job						
Did not work (%)	10.0	12.8	15.1	-5.1 **	-2.3	-2.9
Worked part time (%)	19.3	22.7	22.3	-3.0	0.3	-3.4
1-19 hours	5.4	10.8	9.2	-3.8 **	1.7	-5.4 **
20-29 hours	13.4	11.9	12.6	0.8	-0.7	1.5
Worked full time (%)	70.3	62.9	62.2	8.1 ***	0.7	7.4 *
30-34 hours	10.2	6.8	8.5	1.6	-1.8	3.4
35-44 hours	47.2	42.2	38.4	8.8 ***	3.8	5.0
45 or more hours	13.0	13.9	15.2	-2.2	-1.3	-0.9
Average hours worked per week among those employed	*35.6*	*34.5*	*34.9*	*0.7*	*-0.4*	*1.1*
Hourly wage in current or most recent job						
Did not work (%)	10.0	12.8	15.1	-5.1 **	-2.3	-2.9
Less than $5	5.1	4.4	2.9	2.2 *	1.5	0.8
$5 to $6.99	18.0	21.4	21.2	-3.2	0.2	-3.4
$7 to $8.99	28.5	23.0	22.9	5.6 **	0.0	5.6
$9 or above	34.0	33.2	35.2	-1.1	-2.0	0.9
Average hourly wage among those employed ($)	*8.9*	*8.9*	*9.3*	*-0.4*	*-0.4*	*0.0*

(continued)

Table 5.3 (continued)

Outcome (%)	Average Outcome Levels MFIP	 MFIP Incentives Only	 AFDC	MFIP vs. AFDC Impacts of Full MFIP Program	MFIP Incentives Only vs. AFDC Impacts of Financial Incentives Alone	MFIP vs. MFIP Incentives Only Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Employer-provided benefits in current or most recent job						
Did not work	10.0	12.8	15.1	-5.1 **	-2.3	-2.9
Paid sick days	35.7	28.1	33.4	2.3	-5.3	7.6 *
No paid sick days	53.4	58.6	50.8	2.6	7.8 *	-5.2
Paid vacation	48.2	42.3	44.8	3.4	-2.4	5.9
No paid vacation	41.5	44.5	39.6	2.0	4.9	-3.0
Health benefits	47.5	39.6	45.9	1.6	-6.3	7.8 *
No health benefits	42.6	47.2	38.1	4.6	9.1 **	-4.5
Sample size (total = 1,223)	514	217	492			

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

Outcomes shown in italics are nonexperimental.

B. Income and Measured Poverty

Although MFIP did not increase earnings for recent applicants during the follow-up period, it did increase welfare receipt, which resulted in increased income for both MFIP groups. Table 5.4 presents impacts on income and poverty for single-parent recent applicants in urban counties. In the last year of follow-up, average income from earnings and welfare was $2,578 for the AFDC group and $2,740 for the MFIP group, for a statistically significant increase of $162. This increase is due entirely to higher welfare payments offered through MFIP's incentives. The increase in income also led to a reduction in measured poverty. In year 3, for example, 66.0 percent of the AFDC group had earnings plus welfare income below the poverty line, compared with 59.2 percent of the MFIP group, for a 6.9 percentage point reduction. Because MFIP had only modest effects on employment and earnings, incorporating taxes and Earned Income Credit (EIC) benefits into the measures of income and poverty does not change the basic story much. The increase in quarterly income during year 3 is $187 including EIC benefits and $162 not including these benefits.

The bottom panel of Table 5.4 shows that MFIP increased the percentage of urban recent applicants who had income from earnings and welfare by 9.8 percentage points; in the last quarter, 23.3 percent of the MFIP group combined welfare and work, compared with 13.5 percent of the AFDC group. The other impacts on income sources indicate that most of this increase in combining welfare and work (or 6.6 of the 9.8 percentage points) came from a reduction in the number of individuals who would have worked and not received welfare; thus, most of the increase in welfare receipt was among recent applicants who would have worked anyway. This finding is consistent with results from Table 5.2, showing that MFIP increased welfare receipt but had small effects on employment. The issue of "windfall effects," whereby some individuals receive more benefits without changing their behavior, always arises with programs that have generous financial incentives. However, explicit goals of MFIP were to increase income and reduce poverty, and the top panels of the table show that MFIP would not have achieved these goals without giving more benefits to families who worked, families whose average incomes were already quite low.

Despite the fact that more MFIP families received welfare, somewhat fewer relied solely on welfare by the last quarter of follow-up (17.6 percent of MFIP families versus 20.3 percent of AFDC families). In addition, recent applicants in MFIP were no less likely than those in AFDC to have earnings constitute their major source of income (48.1 percent for the MFIP group, compared with 49.5 percent for the AFDC group). Using these measures, MFIP did not increase dependence on welfare.

Table 5.5 presents survey data on income and income sources for single-parent recent applicants in urban counties. As mentioned in Chapter 4, survey data are probably less reliable than administrative records data for measuring program impacts on income sources, because respondents in both groups may have various motives in reporting earnings or welfare benefits. Nonetheless, survey data do provide information about respondents' sources of income. For example, recent applicants were much more likely than long-term recipients to report having earnings from other adults in the household — leading to larger discrepancies between reported income from earnings and welfare and reported total family income. For the MFIP group, for

Table 5.4

MFIP's Impacts on Income and Poverty for Single-Parent Recent Applicants in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC		MFIP Incentives Only vs. AFDC		MFIP vs. MFIP Incentives Only	
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Percentage Change	Impacts of Financial Incentives Alone	Percentage Change	Impacts of Adding Mandatory Services and Reinforced Incentive Messages	Percentage Change
Average quarterly income									
Average quarterly income from welfare and earnings ($)									
Year 1	2,434	2,467	2,239	195 ***	8.7	227 ***	10.1	-32	-1.3
Year 2	2,562	2,547	2,388	174 ***	7.3	159 **	6.7	15	0.6
Year 3 (quarters 1-3)	2,740	2,716	2,578	162 **	6.3	138	5.3	24	0.9
Income and poverty in last three quarters									
Average quarterly income from welfare and earnings ($)	2,740	2,716	2,578	162 **	6.3	138	5.3	24	0.9
Measured poverty[a] (%)	59.2	62.0	66.0	-6.9 ***	-10.4	-4.0 **	-6.1	-2.8	-4.6
Income and poverty in last three quarters with estimated taxes and EIC benefits[b]									
Average quarterly income from welfare and earnings ($)	2,744	2,734	2,556	187 ***	7.3	177 **	6.9	10	0.4
Measured poverty[a] (%)	53.7	56.2	59.7	-6.1 ***	-10.2	-3.6 *	-6.0	-2.5	-4.4
Income sources									
In last quarter of follow-up (%)									
Earnings, welfare	23.3	21.2	13.5	9.8 ***	72.7	7.7 ***	56.9	2.1	10.1
Earnings, no welfare	35.1	33.9	41.8	-6.6 ***	-15.9	-7.8 ***	-18.7	1.2	3.5
No earnings, welfare	17.6	22.8	20.3	-2.7 **	-13.5	2.6 *	12.6	-5.3 ***	-23.1
No earnings, no welfare	24.0	22.0	24.4	-0.4	-1.8	-2.4	-9.9	2.0	8.9
Earnings are more than half of total income (%)	48.1	44.5	49.5	-1.5	-3.0	-5.0 ***	-10.2	3.6 *	8.0
Sample Size (total=5,029)	1,916	980	2,133						

(continued)

Table 5.4 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

[b] These estimates are calculated assuming that all eligible individuals received both the federal and the state Earned Income Credit. Estimated payroll taxes and federal and state income taxes are also subtracted.

Table 5.5

MFIP's Impacts on Income and Income Sources for Single-Parent Recent Applicants in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Full sample						
From administrative records						
Average monthly earnings plus welfare in last quarter of follow-up ($)	917	908	868	49 *	40	9
Survey sample						
From administrative records						
Average monthly earnings plus welfare in last quarter of follow-up ($)	1,025	945	943	83 *	2	80
From 36-month survey						
Income in previous month from earnings and welfare ($)	1,113	985	1,026	87 *	-41	128 **
Income in previous month from all sources ($)	1,913	1,924	1,838	75	86	-11
Percentage with income source						
Own earnings	71.0	64.4	66.9	4.1	-2.5	6.6 *
Earnings of other members	36.5	39.3	39.2	-2.8	0.0	-2.8
Child support	17.1	24.8	25.4	-8.2 ***	-0.6	-7.7 **
Public assistance	41.9	49.4	35.5	6.4 **	13.9 ***	-7.5 *
Any other income	16.1	14.5	15.3	0.8	-0.8	1.6
Amount of income source ($)						
Own earnings	907	725	846	61	-121 *	182 ***
Earnings of other members	647	700	639	8	61	-52
Child support	51	73	79	-28 ***	-6	-22
Public assistance	199	256	179	20	77 ***	-57 **
Any other income	93	147	90	3	56 *	-54 *
Sample size (total = 1,223)	514	217	492			

(continued)

Table 5.5 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records, public assistance benefit records, and the 36-month client survey.

NOTES: The full sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment. The survey sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment. The size of the survey sample is 1,233.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare benefits are defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Sample size may slightly vary for each outcome variable. For this reason, the averages for individual components of income may not sum to the average of total income.

Rounding may cause slight discrepancies in sums and differences.

example, average reported income from earnings and welfare in the month prior to the survey was $1,113, and average reported income from all sources was $1,913.

In terms of program impacts, MFIP also reduced the receipt of child support among recent applicants, as it did among long-term recipients; 17.1 percent of the MFIP group reported child support income, compared with 25.4 percent of the AFDC group. However, the Incentives Only group did not show a similar decrease. This finding is not consistent with the hypothesis raised in Chapter 4 to explain the impacts on child support — that higher welfare receipt and higher income discourage single mothers from pursuing child support payments — because the Incentives Only group, which did not experience a reduction in child support receipt, had higher income than the AFDC group and was also more likely to receive welfare. The primary difference in impacts between the recent applicant Incentives Only group and the groups who had a decrease in child support (MFIP recent applicants and both MFIP groups among long-term recipients) is that the former experienced virtually no impact on employment rates over the period. Thus, an increase in mothers' employment may either reduce their likelihood of pursuing payments or reduce the nonresident fathers' desire to make payments.

C. Other Measures of Well-Being

Table 5.6 presents impacts on other measures of family well-being for single-parent recent applicants in urban counties. Compared with long-term recipients in the survey sample, recent applicants had somewhat higher incomes in general but reported similar levels of financial strain and material hardship. MFIP affected both of these outcomes. The index of material hardship is 1.35 for the MFIP group, compared with 1.51 for the AFDC group. MFIP also increased the percentage of families covered by Medicaid or MinnCare and increased the percentage who had continuous health insurance coverage throughout the three-year period; 50.0 percent of the AFDC group reported that they had continuous coverage, compared with 62.9 percent of the MFIP group. Both these effects on health insurance coverage probably resulted from higher welfare receipt.

The third panel of Table 5.6 shows that MFIP's incentives alone reduced residential mobility among urban recent applicants; 39.0 percent of the Incentives Only group had not moved since random assignment, compared with 27.9 percent of the AFDC group. Adding the mandatory services to the financial incentives, however, increased mobility, so that the full program had no effects. It is somewhat odd that MFIP affected mobility only for urban recent applicants. Finally, MFIP did not affect marriage or cohabitation among recent applicants, who in general were more likely than long-term recipients to have been married or cohabiting at the time of the survey. There were no differences, however, between the MFIP and AFDC groups.

D. Effects for Subgroups in Urban Counties

This section presents MFIP's impacts on selected outcomes for two subgroups of the urban recent applicant sample: new applicants to welfare and short-term recipients. Findings for new applicants show the effects of the program for an entering cohort of recipients, some of whom would leave welfare quickly and some of whom would stay on it longer. Short-term recipients, on the other hand, had been on welfare for some months before entering the program and were more likely to reach the two-year participation mandate during the follow-up period.

Table 5.6

MFIP's Impacts on Family Outcomes for Single-Parent Recent Applicants in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Material hardship						
Perceptions of financial strain	2.69	2.75	2.78	-0.09 *	-0.04	-0.05
Index of material hardship	1.35	1.26	1.51	-0.16 *	-0.25 *	0.09
Health insurance coverage						
Respondent continuously covered by health insurance during past 36 months (%)	62.9	67.9	50.0	12.9 ***	17.9 ***	-5.0
Respondent currently covered by health insurance (%)	78.3	79.0	73.9	4.4	5.0	-0.6
Respondent on Medicaid or MinnCare (%)	50.7	54.9	40.5	10.2 ***	14.4 ***	-4.2
Residence and residential moves						
Number of times moved since random assignment (%)						
None	27.7	39.0	27.9	-0.1	11.1 ***	-11.3 ***
Once	25.8	26.1	28.4	-2.6	-2.3	-0.3
2 or more times	46.5	34.6	43.5	2.9	-8.9 **	11.9 ***
Marital status and cohabitation						
Currently married (%)	16.8	12.9	15.1	1.7	-2.2	3.9
Currently married or living with partner (%)	33.8	27.1	29.6	4.1	-2.6	6.7 *
Sample size (total=1,223)	514	217	492			

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

Thus, findings for short-term recipients — rather than for all recent applicants — may provide a better picture of effects of MFIP on single parents after they become subject to its participation mandates.

Table 5.7 presents the subgroup results.[5] As discussed in the interim report and shown in the table, short-term recipients on average were somewhat less likely to work and leave welfare than new applicants; 50.5 percent of short-term recipients in the AFDC group worked during each quarter of year 3, compared with 56.3 percent of new applicants in the AFDC group. In general, MFIP had fewer effects on employment for new applicants, most likely because relatively more of them had left welfare by year 3. This can also be seen by the relatively small effects on new applicants of adding the mandatory services to the financial incentives (shown in the right-hand column). In contrast, for short-term recipients, adding the participation mandate to the incentives increased earnings (by $349) and reduced welfare benefits (by $212).

Thus, although adding the mandatory services to the incentives began to increase employment and earnings by year 3 for short-term recipients, the net effect of the full program was small, because the financial incentives alone had the opposite effect; that is, they reduced earnings by $299. Although this impact on earnings of $299 is not significantly different from the impact on earnings of -$61 for new applicants, it is much larger. It is also much larger than the corresponding impact for long-term recipients (see Chapter 4). This result suggests that if the goal is to increase employment, financial incentives alone might best be targeted to recipients who are least likely to work. In terms of the effects of the full program (incentives plus mandates), impacts are still fairly small for short-term recipients in urban counties. However, as noted earlier, these impacts are diluted, because not all short-term recipients became subject to MFIP's participation mandates.

IV. Effects on Single-Parent Recent Applicants in Rural Counties

This section presents MFIP's impacts on employment, earnings, and welfare receipt for single-parent recent applicants in rural counties. Because rural applicants continued to be randomly assigned for several months after urban applicants, impacts for rural single-parent families are presented for 10 quarters, or two years and three months, after random assignment. Also, impacts are shown only for the MFIP group, because no families in the rural counties were assigned to the Incentives Only group.

Table 5.8 presents the results. MFIP produced no significant effects on employment until the last quarter of follow-up, or quarter 10, although the magnitude of the impacts in years 1 and 2 is similar to that found in the urban counties (shown in Table 5.2). The end of year 2 is when a noticeable proportion of the sample would have been required to participate in employment services. Data on monthly benefit receipt indicate that at least 30 percent of the rural recent applicants would have accumulated 24 months of welfare receipt by the end of year 2 and that about 55 percent would have done so by the end of year 3 — somewhat higher percentages than

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[5] The impacts reported for these outcomes for the full sample of recent applicants (shown in Table 5.2) are not strict averages of the impacts shown in Table 5.7, given the process of regression adjustment. The unadjusted impacts for the full sample are weighted averages of the unadjusted impacts for these two subgroups.

Table 5.7

MFIP's Impacts on Average Quarterly Employment, Earnings, and Welfare Receipt in Year Three for Single-Parent Recent Applicants in Urban Counties, by Subgroup

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentive Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Short-term recipients						
Employment rate (%)	56.7	50.3	50.5	6.3 *	-0.1	6.4 **
Earnings ($)	1,697	1,348	1,648	50	-299 **	349 **
Welfare receipt (%)	57.6	64.3	48.9	8.7 **	15.4 ***	-6.7 **
Welfare benefits ($)	1,000	1,212	849	150 **	363 ***	-212 ***
New applicants						
Employment rate (%)	58.6	57.4	56.3	2.3	1.1	1.2
Earnings ($)	2,116	2,052	2,112	4	-61	65
Welfare receipt (%)	39.7	41.0	33.4	6.3 ***	7.6 ***	-1.3
Welfare benefits ($)	635	709	488	147 ***	221 ***	-74 *
Sample size (total = 5,029)	514	217	492			

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment. 21.5 percent of the total sample are short-term recipients and 78.5 percent of the total sample are new applicants.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

Table 5.8

MFIP's Impacts on Employment, Earnings, and Welfare for Single-Parent Recent Applicants in Rural Counties

Outcome	MFIP	AFDC	Impact (Difference)	Percentage Change
Employment and earnings				
Average quarterly employment rate (%)				
Year 1	56.0	52.7	3.4	6.4
Year 2	58.5	54.9	3.5	6.4
Year 3 (quarter 1)	63.7	57.0	6.7 **	11.7
Number of quarters employed during the 9-quarter follow-up period (%)				
None	14.6	17.3	-2.7	-15.6
1-4	27.8	29.0	-1.2	-4.0
5-9	57.6	53.8	3.9	7.2
Average quarterly earnings ($)				
Year 1	1,224	1,281	-56	-4.4
Year 2	1,583	1,640	-57	-3.5
Year 3 (quarter 1)	1,953	1,746	208	11.9
Welfare receipt				
Average quarterly receipt rate (%)				
Year 1	77.2	64.8	12.5 ***	19.3
Year 2	60.9	43.5	17.4 ***	40.1
Year 3 (quarter 1)	52.5	36.6	15.9 ***	43.5
Average quarterly benefits ($)				
Year 1	1,330	961	369 ***	38.4
Year 2	1,000	648	352 ***	54.4
Year 3 (quarter 1)	811	526	285 ***	54.1
Sample size (total = 980)	497	483		

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Rounding may cause slight discrepancies in sums and differences.

in the urban counties. MFIP also increased welfare receipt. In quarter 10, for example, 36.6 percent of the AFDC group received welfare, compared with 52.5 percent of the MFIP group.

Table 5.9 presents data on recent applicants' income and poverty in the rural counties. MFIP substantially increased incomes, largely because of increased welfare receipt. In quarter 10, for example, MFIP families had an average income of $2,765 from earnings plus welfare benefits, for a $493 increase over AFDC families. Not surprisingly, measured poverty was also lower among the MFIP group. Impacts based on the survey data are not presented for rural recent applicants, because the samples are very small.

Thus, MFIP's effects on recent applicants were generally similar in the rural and the urban counties, with a couple of exceptions. First, the increase in welfare receipt was much larger in the rural counties, primarily because rural AFDC families left welfare more quickly than their urban counterparts. Second, the employment impact in the last quarter of follow-up in the rural counties was somewhat larger than the impact in year 3 in the urban counties. As noted, administrative records data show that a slightly higher percentage of the rural sample would have reached the participation mandate (that is, accumulated 24 months of welfare receipt) by the end of year 2, which probably explains the larger employment impact. However, the impacts may also reflect differences in the local economies or between the urban and rural samples. Rural recent applicants differ from their urban counterparts in ways similar to those found for long-term recipients; namely, 90 percent of the rural families are white, compared with about 60 percent of the urban families, and a higher proportion of rural single parents had been previously married. Among rural recent applicants, MFIP's impacts were larger for the never-married subgroup (not shown), as they were for rural long-term recipients. However, this does not help to explain the larger rural impacts, because the rural sample consists of fewer never-married individuals.

V. Highlights from Volume 2, *Effects on Children*

Volume 2 of the final report on the evaluation of MFIP's effects focuses on children of both long-term recipients and recent applicants.[6] It examines MFIP's effects on children by following a subset of the full evaluation sample: single mothers with children age 2 to 9 at random assignment. Selected results for recent applicants in urban counties are highlighted below.

- **Urban recent applicants in MFIP and in AFDC generally reported that their children fared similarly.** Single mothers in MFIP and in AFDC reported somewhat similar levels of behavioral problems and school performance for their young children. However, young children in MFIP were more likely to have been covered continuously by health insurance during the three-year period; 69.9 percent of urban recent applicants in the MFIP group reported that their children had uninterrupted coverage, compared with 62.7 percent in the AFDC group. Finally, in the urban counties, adolescent children

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[6] See Gennetian and Miller, 2000.

Table 5.9

MFIP's Impacts on Income and Poverty for Single-Parent Recent Applicants in Rural Counties

Outcome	MFIP	AFDC	Impact (Difference)	Percentage Change
Average quarterly income				
Average quarterly income from welfare and earnings ($)				
Year 1	2,554	2,242	313 ***	13.9
Year 2	2,583	2,287	296 ***	12.9
Year 3 (quarter 1)	2,765	2,272	493 ***	21.7
Income and poverty in second year of follow-up				
Average quarterly income from welfare and earnings ($)	2,583	2,287	296 ***	12.9
Measured poverty[a] (%)	63.1	75.2	-12.0 ***	-16.0
Income and poverty in second year of follow-up with estimated taxes and EIC benefits[b]				
Average quarterly income from welfare and earnings ($)	2,770	2,433	336 ***	13.8
Measured poverty[a] (%)	57.5	65.4	-7.9 ***	-12.1
Income sources				
In last quarter of follow-up (%)				
Earnings, welfare	24.0	14.9	9.1 ***	60.8
Earnings, no welfare	35.8	38.9	-3.1	-8.1
No earnings, welfare	18.2	16.5	1.7	10.3
No earnings, no welfare	14.8	22.4	-7.6 ***	-34.0
Earnings are more than half of total income (%)	51.2	49.2	2.1	4.2
Sample size (total = 980)	497	483		

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Rounding may cause slight discrepancies in sums and differences.

[a] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

[b] These estimates are calculated assuming that all eligible individuals received both the federal and the state Earned Income Credit. Estimated payroll taxes and federal and state income taxes are also subtracted.

in MFIP fared less well on some measures of schooling than their AFDC counterparts.

- **In the urban counties, single mothers in MFIP experienced few changes in their well-being.** Throughout the three-year period, most recent applicants in the MFIP group faced only the enhanced financial incentives, because the participation mandates were targeted to long-term recipients. In general, MFIP had little effect on urban single mothers' earnings and income and no effect on other aspects of their well-being, such as marriage, depression, or domestic abuse.

As mentioned above, these results are for the sample of urban recent applicants with children age 2 to 9 at random assignment. Selected measures of child well-being are also available for the full sample of recent applicants, among whom single mothers in MFIP were more likely than those in AFDC to report that their children were performing poorly in school. Volume 2 discusses the possible reasons for the negative impacts on school performance. Finally, in rural counties, there were few statistically significant effects on the children and families of recent applicants; however, the sample is very small, and so the observed impacts are less reliable.

VI. Summary and Conclusions

MFIP was designed to be a different program for parents who had been on welfare for a long time versus those who had not. Perhaps not surprisingly, it had different effects on the two groups, producing much larger increases in employment and earnings for long-term recipients. Some part of the difference is probably also due to the fact that parents who have been on welfare for only a short time tend to be different from those who have been on relatively long-term. Many in the former group, for example, would have left welfare and gone to work fairly quickly in the absence of MFIP.

Figure 5.6 summarizes MFIP's effects for long-term recipients and recent applicants in urban counties. (The arrows indicate the direction of the impacts.) Results for the two groups provide several lessons. First, financial incentives plus mandatory services can move a significant number of single parents into the workforce and increase their earnings. On the other hand, although the incentives by themselves do cause some parents to go to work, they also cause some working parents to reduce their hours. This effect was observed for both long-term recipients and recent applicants. Thus, if the goal is to increase full-time employment, the incentives should be combined with a work or participation mandate.

Would MFIP have increased employment and earnings more for recent applicants if they had faced the same treatment as long-term recipients, that is, if they had been subject to the mandates from the outset? (In the version of the program implemented statewide, MFIP-S, participation is mandatory after only one to six months of welfare receipt.) It is not clear whether such a program would have produced larger impacts for recent applicants, because many of them would have worked anyway. Nevertheless, placing the mandates sooner might have prevented some single parents from moving from full-time to part-time work.

Figure 5.6

Summary of MFIP's Effects on Single Parents in Urban Counties

	Long-Term Recipients	Recent Applicants
Employment	↑ (large)	↑ (small)
Earnings	↑	–
Welfare receipt	↑	↑
Welfare as only income source	↓	↓
Income	↑	↑
Poverty	↓	↓
Child support receipt	↓	↓
Financial strain	↓	↓
Continuous health insurance coverage	↑	↑

NOTES: The two groups differ in many ways; for example many recent applicants would have worked in the absence of MFIP.

The MFIP program differed for the two groups; most recent applicants were not subject to participation mandates during the three-year period.

The impacts for both groups varied somewhat across urban and rural counties.

Second, although the financial incentives by themselves had modest effects on employment, they are critical for increasing families' incomes; MFIP would not have increased families' incomes if, as was the case under AFDC, benefits had been decreased nearly dollar for dollar with earnings. For long-term recipients, the higher benefits came with an increase in employment. Many recent applicants, on the other hand, received higher benefits without changing their behavior, because they would have worked anyway. It is unavoidable when offering incentives of this type that some families will receive the extra benefits without changing their work behavior. Such a "windfall" is of less concern, however, if one goal of the program is to reduce poverty. In this sense, MFIP's financial incentives are akin to a work supplement such as the Earned Income Credit (EIC), which is provided only to families who work. Although many families go to work to receive the EIC, many who receive it would have worked anyway.

It is also important to note that the economy, nationally and especially in Minnesota, was very strong during the evaluation period, with unemployment rates as low as 3 percent in some counties. In a weaker economy, it may be more difficult for parents to find full-time jobs and meet the participation requirement. In addition, less-skilled workers would be the first to lose their jobs if the economy sours.

Chapter 6

MFIP's Effects on Two-Parent Families

In addition to its goals of increasing the employment and self-sufficiency of single-parent families, the Minnesota Family Investment Program (MFIP) aimed to support two-parent families. MFIP tried to accomplish this by offering financial incentives to work, requiring participation in mandatory employment services for two-parent recipient families, and streamlining burdensome eligibility requirements and restrictions that generally apply to two-parent families seeking welfare benefits. With this additional dimension of MFIP's streamlined eligibility requirements, income was the main criterion for two-parent families to become eligible for welfare benefits, as it was for single-parent families. Some of these policy changes that affected MFIP two-parent families are reflected in a number of current state policies nationwide in response to the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. Even though single-parent families represent a majority of the welfare caseload, two-parent families continue to make up a small proportion of it: In 1998, nearly 10 percent of Temporary Assistance for Needy Families (TANF) cases in Minnesota were families with two or more adult recipients.[1]

This chapter presents findings about MFIP's effects on two-parent families over the 36-month follow-up period of the evaluation. By comparing outcomes for two-parent families in MFIP with outcomes for two-parent families in Aid to Families with Dependent Children (AFDC), this chapter seeks to answer the basic question "Does MFIP's package of streamlined eligibility rules, financial incentives, and targeted participation mandates lead to different outcomes than the AFDC system?" In contrast to single-parent families, two-parent families in Minnesota (at the time of random assignment) were eligible for four programs: AFDC, AFDC-UP (Unemployed Parent), AFDC-INCAP (Incapacitated), and Family General Assistance (FGA). Eligibility for all programs was based on the biological relationship of the parents to the child and on each parent's physical ability to work.[2] This is relevant to the evaluation because each program had different rules concerning mandatory participation in employment and training programs and thus represented a different treatment for the control group. The majority of two-parent families in this study's control group were on AFDC-UP.[3] Thus, because most members of both the MFIP and the AFDC groups were required to participate in employment and training programs, the *main* difference between the groups for two-parent families had to do with changes in eligibility rules and financial incentives. Much of the discussion in this chapter highlights the effects of MFIP in comparison to AFDC-UP; keep in mind, however, that some of the distinctions are not relevant for small portions of the control group who were in AFDC-INCAP or AFDC.

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[1] U.S. Department of Health and Human Services, Administration for Children and Families, 1999.

[2] If the two parents shared a biological or adopted child and were able to work, then they were eligible for AFDC-UP. If the two parents shared a biological or adopted child but one parent was incapacitated (either temporarily or permanently), then they were eligible for the AFDC-INCAP program. If the two parents did not share a biological child, then one parent was eligible for AFDC, and the income of the stepparent was counted against the AFDC grant. Finally, if a two-parent family did not first qualify for any of the first three programs, then they might still be found eligible for Minnesota's FGA program, depending on their income level.

[3] Unfortunately, the actual proportion of two-parent families in the sample who were on AFDC-INCAP cannot be identified. However, in fiscal years 1995 and 1996 in Minnesota, 80 percent of the two-parent family caseload (two biological parents living with a child) were on AFDC-UP. In addition, many two-parent families on AFDC-INCAP transitioned to AFDC-UP, and only a small proportion of parents on AFDC were married to someone who would be considered their child's stepparent. Finally, 9 percent, at most, of the two-parent family sample were on FGA during the first quarter of follow-up, and only 3 percent were on FGA by the last quarter of follow-up.

Prior to the passage of PRWORA in 1996, two-parent families in the AFDC-UP program had to satisfy a number of additional conditions (besides being financially eligible) in order to continue to receive welfare benefits. The most notable of these was the "100-hour rule" limiting the number of hours per month that the primary wage-earner in an AFDC-UP family could work without risking loss of welfare benefits.[4] The work history requirement and the 100-hour rule severely limited two-parent families' eligibility for assistance, making it advantageous for families with a full-time worker either to split up or to report that they had separated or divorced, in order to continue to receive welfare benefits. Related to this, some results in this chapter provide evidence about how changes in eligibility for welfare may affect two-parent families. MFIP's effects on family composition are also of general policy interest, because the consequences of MFIP-type interventions — interventions that aim to increase income — on marital stability for two-parent families are not well understood; yet marital stability is often cited as a primary goal of policies aimed at two-parent families.

Section I of this chapter begins by summarizing the findings about MFIP's effects on two-parent recipient and applicant families. Section II then highlights hypotheses about how MFIP was expected to affect these families, and Section III describes the analysis groups and the strategies that best fit them. The bulk of the chapter, Section IV, presents MFIP's impacts on two-parent recipient families' participation, employment, earnings, welfare receipt, job and employment characteristics, and income during the follow-up period as well as a number of other family outcomes, such as marital status and health insurance coverage at the time of the 36-month survey. Section V then presents a more limited set of outcomes for two-parent applicant families. The chapter concludes by reviewing MFIP's effects and other antipoverty programs for two-parent families.

I. Summary of the Findings

Impact findings in this chapter are presented first for two-parent recipient families (those who had ever received welfare prior to random assignment) and then for two-parent applicant families; in both cases, impacts for urban and rural counties are combined.[5] The findings on employment and income at the 36-month follow-up point are quite similar to the interim report's findings at the 18-month point for the early cohort in urban counties.[6] These later findings support the interim conclusions that MFIP's financial incentives and mandatory services had substantially different effects on two-parent families than on single-parent families. In addition, the 36-month findings include information about other family outcomes, such as marital status. Table 6.1 presents a summary of selected impacts for two-parent families.

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[4] The 100-hour rule penalized large families especially, because without this rule, large families were able to remain on welfare at higher earnings levels than small families, in recognition of their need for greater income.

[5] That is, impacts are presented for urban and rural recipient families combined and for urban and rural applicant families combined. All impacts are weighted using a scheme that gives each county its own weight. The results are similar to results obtained when all urban counties receive the same weight and all rural counties receive the same weight.

[6] Miller et al., 1997

- **Two-parent recipient families in MFIP were as likely as AFDC families to have at least one parent working but were less likely to have both parents working, leading to lower family earnings.**

Even though both women and men in the MFIP group's two-parent recipient families were less likely than their counterparts in AFDC to be employed during the follow-up period, MFIP did not affect the likelihood that at least one parent worked. As shown in Table 6.1, although MFIP reduced the employment of women by 3.7 percentage points and also reduced the employment of men by 3.7 percentage points, it had no impact on the proportion of families who had at least one parent employed. Thus, the reductions in employment for women and for men did not occur in the same families. This is not surprising, because MFIP provided relatively greater incentives to two-parent families to increase the full-time employment of one parent (versus other combinations of family employment). The reduction in at least one parent's employment and earnings meant that total family earnings were significantly less for two-parent recipient families in MFIP than in AFDC.

- **MFIP increased the proportion of two-parent recipient families receiving welfare benefits.**

Table 6.1 shows that, on average, MFIP increased welfare receipt by 10.4 percentage points for two-parent recipient families. Like single-parent families in MFIP, two-parent families were significantly more likely than AFDC families to combine welfare and work. MFIP did not change the proportion of two-parent recipient families who relied solely on welfare during the follow-up period; on average, 30.6 percent of MFIP families and 28.4 percent of AFDC families did so. Many two-parent recipient families who were recorded as receiving welfare received Food Stamp benefits only. During the last quarter of follow-up, 19 percent of two-parent recipient families in the AFDC group who were receiving welfare benefits were receiving Food Stamp benefits only.

- **MFIP increased marital stability for the parents in recipient families.**

As shown in Table 6.1, the parents in recipient families in the MFIP groups were 19.1 percentage points, or 40 percent, more likely than the parents in AFDC families to be married at the 36-month follow-up point. Public divorce records confirmed that MFIP decreased divorce up to five years after random assignment among spouses in two-parent families who were married at the time of random assignment.

- **Two-parent recipient families in MFIP had significantly higher income than AFDC families.**

MFIP significantly increased average quarterly income measured from earnings and welfare benefits when accounting for divorces or separations that occurred during the follow-up period. Furthermore, compared with two-parent recipient families in AFDC, MFIP families had

Table 6.1

Summary of MFIP's Impacts on Employment, Welfare, Income, and Marriage for Two-Parent Families

	Women			Men			Families		
Outcome	MFIP	AFDC	Impact[a] (Difference)	MFIP	AFDC	Impact[a] (Difference)	MFIP	AFDC	Impact[a] (Difference)
Recipients									
Quarterly averages during the first 10 quarters									
Employed (%)	35.0	38.7	-3.7 **	44.8	48.5	-3.7 **	60.2	62.5	-2.3
Earnings ($)	737	947	-210 ***	1,456	1,735	-279 ***	2,193	2,682	-489 ***
Receiving welfare (%)							76.4	66.0	10.4 ***
Welfare benefits ($)							1,889	1,367	522 ***
Welfare was only source of income (%)							30.6	28.4	2.1
Income from welfare and earnings accounting for separation/divorce[b] ($)							3,958	3,769	189 *
Income from welfare and earnings accounting for separation/divorce with estimated taxes and EIC benefits[bc] ($)							3,894	3,683	211 **
Marital status									
Married and living with spouse in month prior to interview[d] (%)							67.3	48.3	19.1 ***
Sample size (total = 1,523)							761	762	
Applicants [a]									
Quarterly averages during the first 10 quarters									
Employed (%)	50.6	51.2	-0.5	63.2	65.2	-2.0	78.6	78.4	0.1
Earnings ($)	1,376	1,563	-187	2,681	2,929	-248	4,057	4,492	-435 *
Receiving welfare (%)							42.9	33.7	9.2 ***
Welfare benefits ($)							783	433	350 ***
Income from welfare and earnings ($)							4,840	4,924	-85
Average quarterly income with estimated taxes and EIC benefits[c] ($)							4,484	4,507	-22
Sample size (total = 733)							348	385	

(continued)

Table 6.1 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records, public assistance benefit records, and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] The difference is the impact of the financial incentives, mandatory services, reinforced incentive messages, and elimination of the 100-hour rule and work history requirement.

[b] These calculations assume that separations and divorces occurred evenly over the 36-month follow-up period.

[c] These calculations assume that all eligible individuals received both the federal and the state Earned Income Credit. Estimated payroll taxes and federal and state income taxes are also subtracted.

[d] Marital status was calculated using data from the 36-month client survey. Impacts on marriage were not estimated for applicants, given the small size of the survey sample.

higher levels of family income the month prior to the survey — largely due to the contribution of another earner in the family.

- **MFIP increased home ownership among two-parent recipient families.**

Two-parent recipient families in MFIP were more likely to live in a home that they owned, compared with AFDC families. One possible spillover effect of improving marital stability may have been to increase home ownership or to continue to allow two-parent recipient families to own homes; MFIP more than doubled the likelihood of parents' being married and owning their home. Alternatively, MFIP's benefits may have led to higher incomes and increased home ownership (which, in turn, may have increased marital stability).

- **MFIP had little effect on employment, earnings, or income for two-parent applicant families.**[7]

MFIP did not significantly affect the employment behavior, earnings, or level of income for women or men in two-parent applicant families. The lack of significant effects is not surprising, given the short welfare spells of two-parent applicant families. By the last quarter of follow-up, only 29 percent of MFIP applicant families were still receiving welfare, compared with 21 percent of AFDC families; and over one-third of applicant AFDC families receiving welfare were receiving Food Stamp benefits only.

II. Expected Effects of MFIP

MFIP aimed not only to enhance the self-sufficiency of two-parent families but also to help two-parent families stay together. The expected effects of each component of the full MFIP program on employment, earnings, receipt of welfare, and marital stability are discussed below.

A. Financial Incentives

With MFIP's financial incentives, particularly the enhanced earned income disregard, earners in two-parent families could keep a higher level of welfare benefits as their earnings increased than they could have kept under AFDC. However, because parents in a two-parent family likely make employment decisions jointly, predicting the effects of MFIP's financial incentives on *each* parent's employment decision was not straightforward. For example, if both parents would have worked in the absence of MFIP, one parent could decrease employment as a response to MFIP, or could specialize in care of the family and the home, but MFIP's financial incentives might let the family maintain a level of total income comparable to the income of a two-parent family on AFDC. Or, if one or both parents would not have worked in the absence of MFIP, MFIP might encourage one or both parents to enter employment. In this case, MFIP's financial incentives might lead to higher total family earnings and higher total family income. In addition to potential effects on employment and hours worked, MFIP's financial incentives might increase the likelihood that working parents would receive welfare, potentially lengthening a family's spell on welfare.

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[7] The survey sample of applicants is too small to analyze other family outcomes, such as material hardship, health insurance coverage, home ownership, and marital stability.

Figure 6.1 illustrates how MFIP's enhanced earned income disregard would make work pay for two-parent families by simulating levels of income under MFIP and AFDC, assuming a wage of $6 per hour in five different employment scenarios. The reward for working if one parent in a two-parent family worked part time (the second set of bars) is similar to the reward for a single-parent family; the family would receive $236 more in welfare benefits — a 93 percent increase in the reward for working. The third set of bars shows earnings and benefits if one parent worked full time or if both parents worked part time; in general, these bars show the reward for working 40 hours per week. Though not explicitly shown in the figure, there was a particular incentive for one parent in a two-parent MFIP family to drop out of the labor force, especially when compared with control group families in AFDC-UP. Under AFDC-UP, the primary earner could not work full time and remain eligible for welfare benefits; thus, at most, both parents could work part time. In contrast, under MFIP, one parent could work full time, that is, 40 hours per week, and would receive $148 more in welfare benefits per month.

MFIP's financial incentives might have mixed effects on marital stability. An increase in one parent's income might increase that parent's ability to be independent, which, by reducing the gains to marriage, might increase marital instability. On the other hand, an increase in one parent's income might decrease financial strain within the family or allow one parent to specialize in taking care of the children and home, which might enhance marital stability.

B. Mandatory Services

In the MFIP evaluation, one wage-earner was required to participate in employment and training services only if the two-parent family was on welfare for at least 6 of the past 12 months and if at least one parent was not working 30 or more hours per week. Unless these exemptions were met or unless the family was willing to be sanctioned, the mandate was expected to increase the labor supply effort of at least one parent in two-parent families. Note that this parent might not be the "principal" wage-earner, because the family could choose either parent to participate in employment services.

The effects of MFIP's mandates will differ, depending on the program for the control group. As described in Chapter 1, under the AFDC-UP program in Minnesota during the period of the evaluation, the primary wage-earner in a two-parent family had to work or search for a job; if job search did not lead to employment within a specified time, the primary wage-earner had to work in exchange for welfare benefits through the Community Work Experience Program (CWEP).[8] As noted in the interim report, the predominant view in two-parent families, according to staff, was that CWEP work was equivalent to working without pay, and so the primary wage-earner preferred to obtain employment. Because the economy was so strong during the time period of the MFIP evaluation, obtaining employment was also a viable option for many families. Thus, requirements to participate in an employment-related activity applied to a substantial portion of the control group, that is, those who were in the AFDC-UP program.

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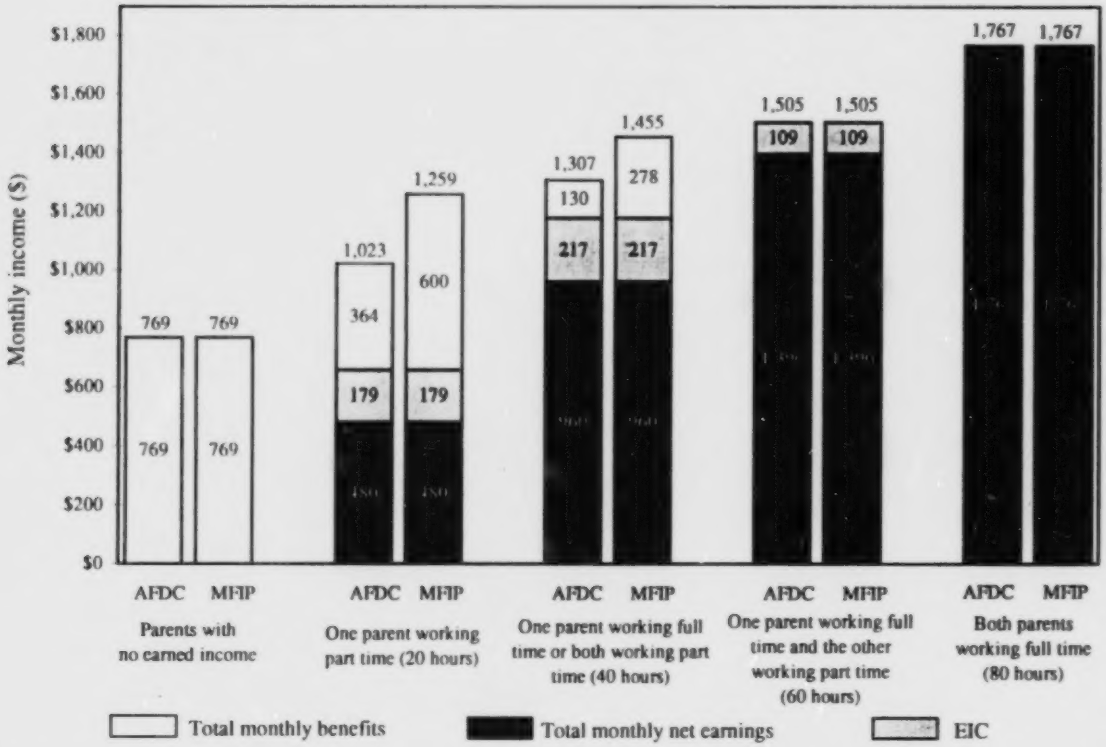
[8] Because CWEP was not implemented until late 1995, it did not affect some two-parent families in the control group for approximately one and a half years of the follow-up period — those families who were randomly assigned prior to 1995.

Figure 6.1

How MFIP Makes Work Pay: Examples of Monthly Income for a Two-Parent Family with Two Children Under MFIP and AFDC



SOURCES: U.S. House of Representatives, Committee on Ways and Means, 1994; 1994 MFIP eligibility manual.

NOTES: Calculations are based on AFDC, Food Stamp, MFIP, income tax, and Earned Income Credit (EIC) rules for April through June 1994. Monthly net earnings are based on the sum of the parent's monthly earnings at a wage of $6 per hour, minus any applicable income taxes. Monthly benefits are based on the sum of the monthly MFIP or AFDC grant plus any Food Stamp benefits. AFDC grant calculations are based on AFDC rules for the fifth to twelfth month of employment.

MFIP combines AFDC and Food Stamp benefits into one cash grant. A recipient with no other income receives the maximum grant, which is the maximum combined value of AFDC and Food Stamps. An employed recipient receives the lower of (1) the maximum grant increased by 20 percent, minus net income, or (2) the maximum grant. Net income excludes 38 percent of gross earnings.

The AFDC grant calculation disregards $120 of gross earnings. After the twelfth month of employment, AFDC recipients are eligible for only a $90 earnings disregard.

Grant calculations assume no unreimbursed child care costs and no child support collections. AFDC and Food Stamp benefit amounts are based on $500 per month rent.

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Thus, there were two reasons why MFIP might increase the likelihood that one parent would work full time: (1) as seen in Figure 6.1, there was a financial incentive for one parent to work full time, especially in comparison to a group who faced eligibility restrictions (that is, the AFDC-UP group would no longer receive welfare benefits if the primary wage-earner worked more than 100 hours per month); and (2) MFIP's mandatory services required at least one parent in an MFIP two-parent family to work full time.

C. Work History Requirement and the 100-Hour Rule

As described in Chapter 1, MFIP eliminated the work history requirement and the 100-hour rule for two-parent families. These changes might have two broad implications for labor force attachment and for receipt of welfare by two-parent families relative to a group (those on AFDC-UP) who were subject to the requirements. First, elimination of the 100-hour rule might increase the likelihood that one or both parents would seek employment. It might also extend welfare benefits to families who would have moved to employment anyway. Thus, removing the 100-hour rule — similar to financial incentives — might increase the probability of combining work and welfare, potentially increasing the two-parent family caseload by making welfare or the mix of welfare and work a more attractive option than employment alone.[9]

Second, changes in work rules and requirements might affect decisions about marriage or staying married. The availability of welfare benefits during times of financial need might decrease financial stress that may lead to marital instability. One hypothesized reason why AFDC was believed to promote the growth of single-parent families is that AFDC was available only to single parents. AFDC-UP was thought to be pro-family by reducing the incentive for two-parent families to split up during hard economic times. However, as previously described, the work history requirement and the 100-hour rule severely limited two-parent families' eligibility for assistance, making it advantageous for families with a full-time worker either to split up or to report that they were separated or divorced. Thus, a substantial marriage penalty still existed in the AFDC-UP program. In fact, early work examining the effects of extending AFDC-UP to two-parent families has found no relationship between AFDC-UP and the stability of marriage.[10]

III. Analysis Groups and Strategies

For two-parent families, the analysis strategy differs depending on the data source, as described below. The impact analyses using the administrative records data and the 36-month client survey data are conducted and presented separately for recipients (Section IV) and applicants (Section V).

A. Analyzing Administrative Records Data by Gender and by Family

On completion of the Baseline Information Form (BIF) at the time of random assignment, a family was identified as a two-parent family if the person who applied for welfare responded that he or she was living with the focal child's other parent (biological or stepparent). This individual was then asked for the Social Security number of the other parent. From this information, administrative records data for both the respondent and his or her partner or spouse were obtained. The analysis of two-parent recipient families examines employment outcomes based on the administrative records data separately for women and for men, because it is possible that MFIP's effects might differ by gender of the parent. Furthermore, in nearly 80 percent of these families, the male partner or spouse was the primary wage-earner, and MFIP's effects might differ depending on gender specialization in work either at home or in the labor market. Men are traditionally the principal wage-earner, and women may elect to stay home or delay entry into the labor force, particularly while their children are very young. Finally, because the ultimate outcomes of interest are family resources — for example, welfare receipt and total family income — the administrative records data are also analyzed for the family in total. All initial analyses of these data assume that the two parents stayed together throughout the follow-up period. This assumption is investigated further later in this chapter.

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[9] This study cannot actually test the "entry" effects, or changes in the two-parent family caseload, of streamlined eligibility rules.

[10] See, for example, Winkler, 1995.

B. Analyzing Survey Data for Two-Parent Families

The analysis of the potential effects of MFIP on two-parent families is substantially expanded in this report compared with the interim report because now data about participation in employment-related activities, job and employment characteristics, material hardship, residential moves, and family composition are available from the 36-month client survey. Only one parent in the two-parent family case responded to the survey, and the majority (90 percent) of all respondents in two-parent families are female. Outcomes measured from the survey — such as marriage, material hardship, and health insurance coverage — are presented for all respondents, both female and male, because *a priori* these outcomes are not expected to vary by gender. The analyses of participation and of employment characteristics based on the survey data focus only on female respondents.

IV. Effects on Two-Parent Recipient Families

Because two-parent families were randomly assigned to either the MFIP group or the AFDC group, any difference in outcomes between these two groups during the follow-up period can be attributed to the effect, or "impact," of MFIP. The following sections present impacts on participation, employment, earnings, income, and a number of other measures of family well-being for two-parent recipient families. All these impacts are regression-adjusted; that is, the regression models estimating the effects of MFIP control for a number of pre-random assignment and baseline characteristics.[11]

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[11] For two-parent families, the regression models estimating the adjusted impacts control for length of time on welfare prior to random assignment; age, gender, and marital status of the respondent applying for welfare; living in an urban county; race/ethnicity; whether or not employed at baseline; whether or not the respondent had a high school diploma at baseline; the number of children in the family at baseline; the presence of a child under the age of 6 at baseline; the quarter of random assignment; the employment, earnings, and welfare history of the respondent and spouse/partner; and indicators controlling for random assignment ratios.

A. Women's Participation in Employment and Training Activities

Findings from the 18-month interim report suggest that, compared with AFDC families, two-parent families in MFIP had understood the basic message of the program and were significantly more likely to have had at least one parent participate in some employment-related activity, primarily job search.[12] Although these results suggest that MFIP increased activity designed to move the participating parent into employment, the sample sizes are extremely small, and the analysis could not separate recipients (who were required to participate in employment-related services at the time of random assignment) from applicants.

Table 6.2 presents MFIP's impacts on participation in employment and training activities and educational attainment for women in two-parent recipient families, as reported on the 36-month survey.[13] MFIP had no impact on the percentage of women who ever participated in employment-related services. Women in MFIP, however, were significantly more likely to participate in career workshops (a 10.9 percentage point increase over women in AFDC) and in individual job search. These results differ dramatically from the impacts for single-parent recipients, for whom MFIP significantly increased participation in employment-related activities, especially job search. These impacts may suggest that at least one parent — perhaps the "other" parent, whose participation information was not captured in the survey — was often working at least 30 hours per week, or they may simply indicate that MFIP's mandates did not result in much more participation than requirements under AFDC-UP.

The 12-month client survey collected participation information about both parents in two-parent families. At the 12-month point, there was a 27.3 percentage point increase in the likelihood that either parent of two-parent recipient or applicant families in MFIP ever participated.[14] The difference in results over time suggest (1) that it was men who were participating in employment-related activities and that this effect was not captured at the 36-month point because the survey asked only about respondents' participation (90 percent of whom are female); (2) that MFIP's effects on participation weakened over time; or (3) that MFIP's effects were concentrated among applicant families.

Selected information about each parent's participation in employment-related services is also available from administrative records data.[15] The results on participation using the full sample of two-parent recipient families suggest that a high proportion of men, approximately one-third, did participate in job search (see Appendix Table F.1). However, the differences between men in MFIP and men in AFDC are not statistically different, perhaps because the relevant comparison group for most of the men, as primary wage-earners, also faced participation require-

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[12] Miller et al., 1997, p. 141.

[13] Case management is not shown because the outcomes are not comparable for the two groups.

[14] Miller et al., 1997, p. 144.

[15] Unlike the survey data, the administrative records data may underestimate participation in education, because education is often pursued without the help of an MFIP or STRIDE caseworker. On the other hand, the administrative data are the only information available about the participation of males, or the spouses of the female survey respondents. Furthermore, as discussed later, the survey sample is too small to analyze the participation outcomes for two-parent applicant families, although Appendix Table F.2 does analyze these outcomes using administrative records data.

Table 6.2

MFIP's Impacts on Participation in Employment and Training Activities and Educational Attainment for Women in Two-Parent Recipient Families

Outcome (%)	MFIP	AFDC	Impact[a] (Difference)
Employment and training activities			
Ever participated in any education or training activity	64.4	59.5	4.9
Ever participate in:			
Career workshop	25.8	14.9	10.9 **
Any job search activity	39.4	29.0	10.4 *
Job search	29.5	22.4	7.1
Individual job search	26.5	17.4	9.0 *
Any education and training activity	43.7	41.7	2.0
Basic education	24.0	20.8	3.2
Post-secondary education	13.1	18.1	-4.9
Vocational training	13.8	14.5	-0.7
On-the-job training or work experience	4.3	5.5	-1.3
Educational attainment			
Has a high school diploma	5.8	7.7	-1.8
Has a trade license	6.7	6.8	-0.2
Has a college or university degree	1.9	2.2	-0.3
Associate's degree	1.9	1.8	0.1
Bachelor's degree	0.0	0.0	0.0
Master's degree	0.0	0.0	0.0
Sample size (total = 265)	128	137	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes female respondents in all counties, randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] The difference is the impact of the financial incentives, mandatory services, reinforced incentive messages, and elimination of the 100-hour rule and work history requirement.

ments — that is, CWEP requirements for AFDC-UP families. Appendix Table F.1 also shows that MFIP significantly increased basic education for women, pursued through either MFIP or STRIDE.

In summary, MFIP did not have large effects on participation by parents in two-parent recipient families, and there is some evidence that MFIP's effects on participation decreased over time.

B. MFIP's Effects on Employment, Earnings, and Welfare Receipt, by Gender and by Family

Table 6.3 and Figures 6.2 through 6.5 present MFIP's impacts on two-parent recipient families' employment, earnings, and welfare receipt, both separately for women and men and for families. Unsurprisingly, in AFDC families, the quarterly employment rates and quarterly earnings of women were lower on average than those of men (see Figures 6.2 and 6.4). However, the employment rates of women in two-parent families were similar to the employment rates of single parents (see Table 4.1).[16] Women in two-parent MFIP families were less likely to work during the follow-up period, compared with women in two-parent AFDC families. The decrease in employment is statistically significant only for the first year of follow-up, when women in MFIP were 4.7 percentage points less likely to be employed, on average.[17] Women in MFIP also had consistently lower average quarterly earnings each year of follow-up; by the last quarter, however, these earnings differences were no longer statistically significant.

Table 6.3 shows that the average quarterly employment rate of men in two-parent AFDC families was approximately 48 percent throughout the follow-up period. Men in two-parent MFIP families were less likely to work during the follow-up period — by 3.0 percentage points during the first year of follow-up and by 5.1 percentage points during the second year (also see Figure 6.2).[18] Men in MFIP families also had consistently lower average quarterly earnings during each year of follow-up (also see Figure 6.4). The proportional decrease in earnings, however, was greater for women in MFIP than for men; compared with the earnings of their counterparts in AFDC families, average quarterly earnings during the follow-up period for MFIP women were 22 percent lower, whereas MFIP men's earnings were only 16 percent lower.

The earnings differences between women and men in two-parent MFIP families are not accounted for by employment rate differences. In particular, the employment rates of women in MFIP were no longer significantly different during the ninth and tenth quarters of follow-up, yet their earnings were still significantly lower than the earnings of women in AFDC families. The employment rates of men in MFIP were not significantly different during the ninth and tenth quarters of follow-up, yet their earnings were still significantly lower than the earnings of men in AFDC families. This suggests that MFIP group members reduced their hours worked per week,

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[16] Over 97 percent of the single-parent long-term recipients are women.

[17] The employment rate differences between the MFIP group and the control group for the second through fifth quarters of follow-up are statistically significant.

[18] The employment rate differences between the MFIP group and the control group for the fourth through seventh quarters of follow-up are statistically significant.

Table 6.3

MFIP's Impacts on Employment, Earnings, and Welfare for Two-Parent Recipient Families

	Women			Men			Families		
Outcome	MFIP	AFDC	Impact[a] (Difference)	MFIP	AFDC	Impact[a] (Difference)	MFIP	AFDC	Impact[a] (Difference)
Employment and earnings									
Average quarterly employment rate (%)									
Year 1	31.1	35.8	-4.7 ***	44.9	47.9	-3.0 *	58.1	61.0	-2.9
Year 2	37.4	40.4	-3.0	44.1	49.2	-5.1 **	61.2	63.6	-2.4
Year 3 (1 quarter)	40.9	43.1	-2.3	47.3	48.3	-0.9	64.2	64.1	0.1
Average quarterly earnings ($)									
Year 1	530	727	-197 ***	1,271	1,482	-211 ***	1,801	2,209	-408 ***
Year 2	855	1,091	-237 ***	1,556	1,904	-348 ***	2,411	2,995	-585 ***
Year 3 (1 quarter)	1,093	1,245	-153	1,794	2,070	-276 **	2,887	3,315	-429 **
Welfare receipt									
Average quarterly receipt rate (%)									
Year 1							84.7	77.9	6.8 ***
Year 2							71.1	58.0	13.1 ***
Year 3 (1 quarter)							64.6	51.0	13.7 ***
Average quarterly benefits ($)									
Year 1							2,145	1,624	521 ***
Year 2							1,727	1,191	536 ***
Year 3 (1 quarter)							1,515	1,044	471 ***
Sample size (total=1,523)							761	762	

(continued)

Table 6.3 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

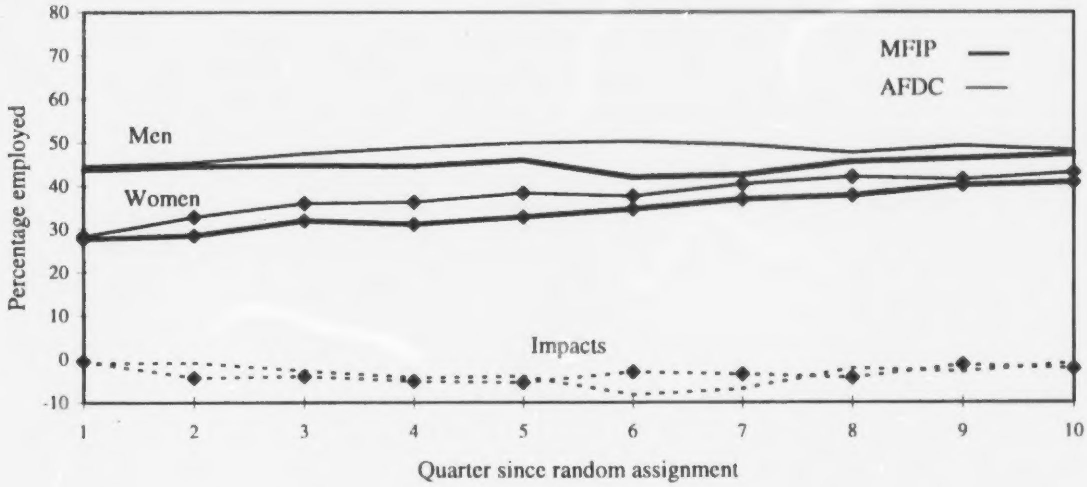
Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] The difference is the impact of the financial incentives, mandatory services, reinforced incentive messages, and elimination of the 100-hour rule and work history requirement.

Figure 6.2

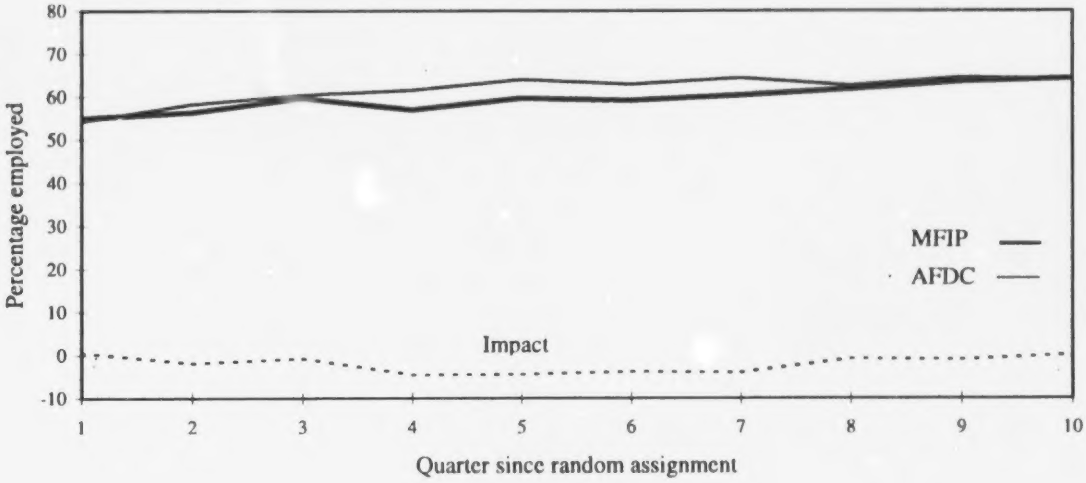
Quarterly Employment Rates for Men and Women in Two-Parent Recipient Families



SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

Figure 6.3

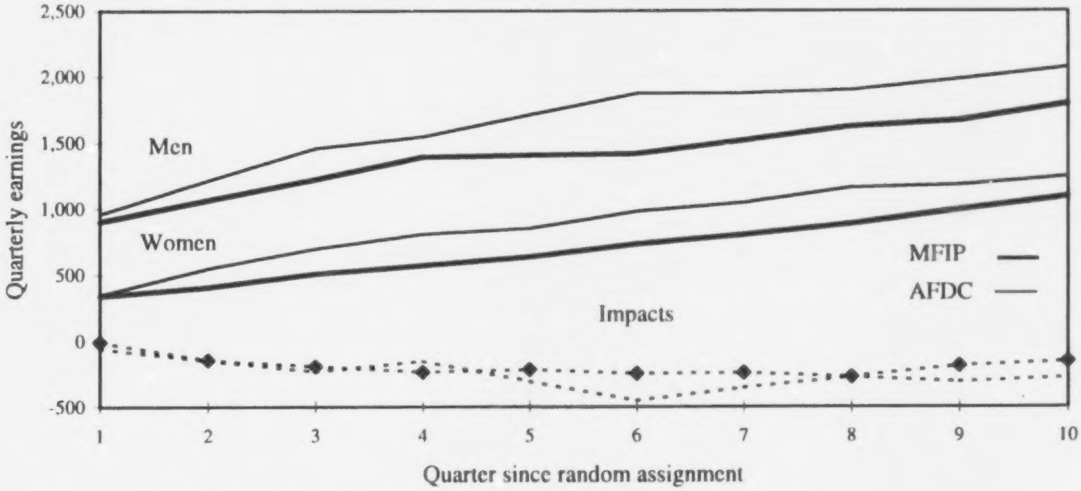
Quarterly Employment Rates for Two-Parent Recipient Families (Either Parent Employed)



SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

Figure 6.4

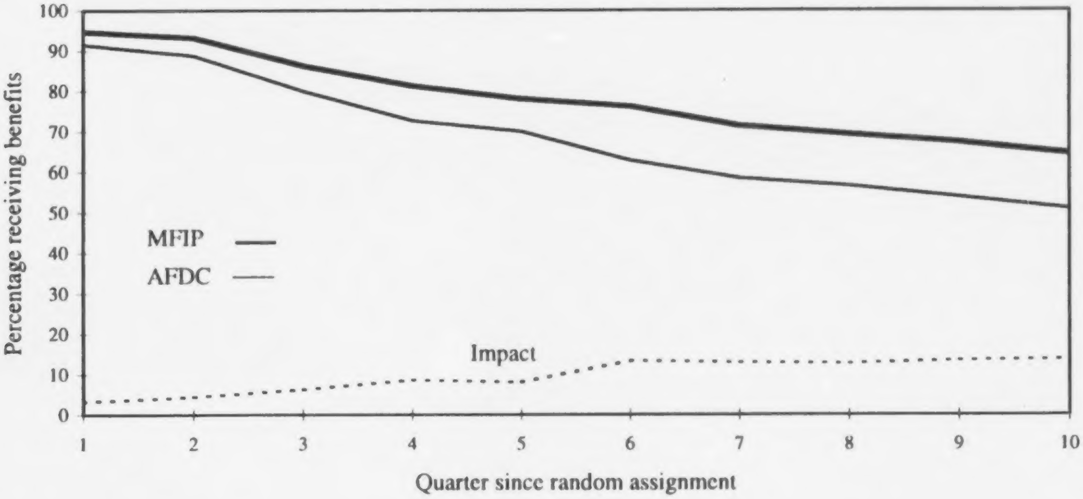
Quarterly Earnings for Men and Women in Two-Parent Recipient Families



SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

Figure 6.5

Quarterly Welfare Receipt for Two-Parent Recipient Families



SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

worked for fewer weeks, or took lower-wage jobs than members of the AFDC group — a question to be explored further in the next section of the chapter.

The last column of Table 6.3 presents impacts for two-parent recipient families' employment and earnings. The employment outcome is whether either parent was employed, and the earnings outcome is the sum of each parent's earnings. Although MFIP somewhat reduced the employment of both women and men in two-parent recipient families, MFIP did not affect the likelihood that at least one parent worked during the follow-up period (see Figure 6.3). Thus, the reduction in employment for women did not occur in the same families as the reduction in employment for men. These employment reductions of women and men do imply, however, that MFIP significantly reduced the likelihood that both parents were employed during the follow-up period. During the second year of follow-up, the average quarterly employment rate for two-parent recipient families in which both parents were employed was 26 percent for AFDC families and 20 percent for MFIP families, which is a statistically significant difference of 6 percentage points (not shown). Average quarterly family earnings for MFIP families were significantly lower throughout the follow-up period.[19] These results are not surprising in light of MFIP's incentives and requirements, which provided relatively greater financial incentives to increase the full-time employment of one parent than to increase the part-time employment of both parents.

MFIP's effects on two-parent recipient families' employment and earnings are somewhat consistent with what has been found in prior research. Using data from the Current Population Survey, analyses of the effects of the Earned Income Credit (EIC) expansions between 1984 and 1996 on labor force participation and hours worked suggest that the EIC increased married men's labor force participation only slightly but reduced married women's labor force participation by over 1 percentage point.[20] Overall, family labor supply and pretax family earnings fell among married couples. The best-known experimental results on employment responses to interventions aimed at enhancing income for two-parent families are from the Negative Income Tax (NIT) experiments conducted throughout the 1970s.[21] The NIT essentially guaranteed a target level of income for single-parent and two-parent families. A summary of work responses from the NIT experiments shows that the NIT caused moderate reductions in work effort and that the largest proportional reductions occurred among women.[22] Furthermore, these work reductions were most prominent in the Seattle/Denver Income Maintenance Experiment (SIME/DIME), which offered the most generous income payment.

Though informative, neither the EIC nor the NIT is a program specifically targeted to two-parent families on welfare. The gap in understanding the effects of financial incentives on labor force participation can be narrowed by evaluation results from experimental welfare and employment programs. For example, two-parent families in the treatment group of the California Work Pays Demonstration (CWPD) were offered streamlined eligibility, welfare grant reductions, and a time-limited earned income disregard; thus, these policies are a modified test of time-limited financial incentives. An evaluation of CWPD's impacts two years after random assignment found that, compared with AFDC-UP, the program produced a small increase in work activity (of only about 4 percentage points); no significant difference in earnings, except in San Bernandino County; and no significant differences in total income.[23]

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[19] Note that average earnings among those families with both parents employed were higher for MFIP families than for AFDC families.

[20] Eissa and Hoynes, 1998.

[21] See Munnell, 1986, for a conference summary.

[22] Burtless, 1986.

The bottom panel of Table 6.3 presents MFIP's impacts on two-parents families' welfare receipt. MFIP increased average quarterly welfare receipt rates and average quarterly benefits throughout the follow-up period (see Figure 6.5). By the second year of follow-up, 58.0 percent of AFDC families were receiving welfare, compared with 71.1 percent of MFIP families — a statistically significant increase of 13.1 percentage points. The impact on welfare receipt for two-parent recipient families is larger than the impact on welfare receipt for single-parent long-term recipients (see Table 4.1) because, in general, two-parent families work more and leave welfare more quickly than single-parent families, leaving much more room for MFIP's financial incentives to extend a family's experience on welfare.

C. MFIP's Effects on the Characteristics of Employment for Women

Although both women and men in two-parent recipient families in MFIP showed some indication of reducing their employment effort, detailed information about employment and the characteristics of this employment is available only from the 36-month survey and thus focuses on women.

Table 6.4 presents MFIP's impacts on hours worked, wages, and employment stability for women in two-parent recipient families. The first row of this table shows the proportion of women in each group who had worked since random assignment, based on the survey data. In contrast to the employment impacts based on administrative records data, the survey data show that women in MFIP families appear slightly more likely to have worked since random assignment than women in AFDC families (though this difference is not statistically significant).[24] The majority of women in two-parent AFDC families had worked full time, or at least 30 hours per week. The women in both groups were equally likely to have worked 30 hours or more per week in their current or most recent job (55.3 percent of women in AFDC families and 55.8 percent of women in MFIP families). However, women in MFIP two-parent recipient families were significantly more likely to have worked part time, or 20 to 29 hours per week.

The second panel of Table 6.4 presents impacts on various levels of wages earned at a current or most recent job. Among the women who worked, those in MFIP families were signifi-

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[23] Becerra, Lewin, Mitchell, and Ono, 1996. In contrast, the evaluation of the Los Angeles Jobs-First GAIN program — the largest county welfare-to-work program — found that Jobs-First GAIN increased employment and increased first-year earnings for two-parent families (Freedman, Mitchell, and Navorro, 1999). The increases in earnings were much greater for men than for women, and because they were matched by reductions in welfare, Jobs-First GAIN did not significantly affect total family income. However, only one parent in the family was studied. Therefore, because the men and women were from different families and represented a mix of primary wage-earners and parents without recent employment, these impacts are not directly comparable to MFIP's effects on family employment.

[24] This difference between measures of employment based on the survey and those based on the administrative records may exist because part-time employment is underreported in the latter. Chapter 4 includes a more complete discussion of the two measures of employment.

Table 6.4

MFIP's Impacts on Hours Worked, Wages, and Employment Stability for Women in Two-Parent Recipient Families

Outcome (%)	MFIP	AFDC	Impact[a] (Difference)
Worked since random assignment	81.3.	76.4	4.9
Hours worked per week in current or most recent job			
Did not work	18.7	23.6	-4.9
Worked part time	23.8	18.4	5.4
1-19 hours	10.2	11.4	-1.2
20-29 hours	13.6	7.0	6.6 *
Worked full time	55.8	55.3	0.5
30-34 hours	10.7	12.4	-1.7
35-44 hours	31.0	32.7	-1.7
45 or more hours	14.1	10.2	3.9
Hourly wage in current or most recent job			
Did not work	18.7	23.6	-4.9
Less than $5	7.7	14.2	-6.5
$5 to $6.99	25.1	25.9	-0.8
$7 to $8.99	27.5	23.2	4.3
$9 or above	17.2	8.5	8.7 **
Employment stability			
Respondent worked since random assignment and reported all job dates	72.7	63.4	9.4 *
First employment spell began within 12 months of random assignment	37.3	47.1	-9.8 *
First spell lasted less than 12 months	10.3	15.0	-4.7
Employed after first spell	8.6	11.3	-2.6
Not employed after first spell	1.7	3.7	-2.0
First spell lasted more than 12 months	27.0	32.1	-5.1
First employment spell began 12 or more months after random assignment	35.7	17.9	17.8 ***
Sample size (total = 265)	128	137	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] The difference is the impact of the financial incentives, mandatory services, reinforced incentive messages, and elimination of the 100-hour rule and work history requirement.

cantly more likely than working women in AFDC families to have earned $9 or more at their current or most recent job. Those who stayed employed were as likely as women in AFDC families to have had paid health insurance and paid sick leave but were less likely to have had paid vacation time (not shown). The bottom panel of Table 6.4 presents impacts on the timing of the first employment spell. Women in MFIP two-parent recipient families were significantly more likely to begin their first employment spell 12 months or more after random assignment. There is no indication that MFIP increased consistent or stable employment.

Together with the impacts based on administrative records data, these impacts based on survey data suggest that, throughout the follow-up period, MFIP delayed participation in employment and encouraged part-time work among some women in two-parent recipient families and that it reduced work effort among other women in these families. Those who did enter the workforce earned wages high enough to compensate them for their time away from home; that is, the women who only had job opportunities that offered a low wage were not likely to work.

D. MFIP's Effects on Income and Poverty

Table 6.5 presents MFIP's impacts on income, on income adjusted by the EIC and taxes, and on measured poverty for two-parent recipient families. Average quarterly income during the first year of follow-up was only slightly higher ($114) for MFIP families than AFDC families and was slightly lower during the remainder of the follow-up period. MFIP had no impact on measured poverty. The third panel of the table shows outcomes when income is adjusted by including the EIC and subtracting payroll taxes. MFIP had no significant impacts on these income or poverty measures.

The last panel of Table 6.5 presents MFIP's impacts on the composition of income. In general, a low proportion (only 15 percent) of both groups reported no earnings and welfare. MFIP two-parent recipient families were significantly more likely to combine welfare and work (a 14.1 percentage point difference). They were also significantly less likely to rely on earnings with no welfare: During the last quarter of follow-up, nearly 39.1 percent of AFDC families reported some earnings and no welfare, compared with only 25.3 percent of MFIP families — a 13.8 percentage point decrease.

Note that these estimates assume that two-parent recipient families stayed together throughout the follow-up period; that is, if the partner or spouse who was identified at random assignment reported earnings to the UI system at any time during the follow-up, those earnings were always included in the income measures. On the one hand, it may be true that MFIP did not increase family income — if the increase in welfare income due to MFIP's financial incentives was largely offset by the decrease in earnings. On the other hand, because MFIP appears to have significantly changed the likelihood that two-parent families stayed together, these income impacts are underestimated. MFIP's combined effects on marital stability and income are discussed in Section F.

E. MFIP's Effects on Marital Status

The first panel of Table 6.6 shows outcomes that capture the general marital status of two-parent recipient families at the time of the 36-month interview. Of recipients in AFDC families, 48.3 percent were married, 21.5 percent were divorced or separated, and 30.3 percent were

Table 6.5

MFIP's Impacts on Income and Poverty for Two-Parent Recipient Families

Outcome	MFIP	AFDC	Impact[a] (Difference)
Average quarterly income			
Average quarterly income from welfare and earnings ($)			
Year 1	3,946	3,833	114
Year 2	4,138	4,187	-49
Year 3 (1 quarter)	4,401	4,359	42
Income and poverty in second year of follow-up			
Average quarterly income from welfare and earnings ($)	4,138	4,187	-49
Measured poverty[b] (%)	62.2	61.6	0.6
Income and poverty in second year with estimated taxes and EIC benefit[c]			
Average quarterly income from welfare and earnings ($)	4,154	4,106	48
Measured poverty[b] (%)	57.4	58.5	-1.1
Income sources			
In last quarter of follow-up (%)			
Earnings, welfare	39.2	25.1	14.1 ***
Earnings, no welfare	25.3	39.1	-13.8 ***
No earnings, welfare	20.2	20.0	0.2
No earnings, no welfare	14.8	15.3	-0.5
Sample size (total = 1,523)	761	762	

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] The difference is the impact of the financial incentives, mandatory services, reinforced incentive messages, and elimination of the 100-hour rule and work history requirement.

[b] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

[c] These estimates are calculated assuming that all eligible individuals received both the federal and the state Earned Income Credit. Estimated payroll taxes and federal and state income taxes are also subtracted.

Table 6.6

MFIP's Impacts on Marital Status for Two-Parent Recipient Families

Outcome (%)	MFIP	AFDC	Impact[a] (Difference)
Marital status in month prior to interview			
Married or cohabiting			
Married and living with spouse	67.3	48.3	19.1 ***
Cohabiting with partner	13.5	22.8	-9.3 *
Single			
Divorced or separated	8.9	21.5	-12.6 ***
Divorced	2.4	5.5	-3.1
Separated	6.6	16.0	-9.5 **
Never married	10.3	7.5	2.8
Divorce records as of January 2000			
Married at random assignment and then divorced	6.1	12.6	-6.5 *
Sample size (total = 290)	144	146	
Marital status in month prior to interview for those married at random assignment			
Married or cohabiting			
Married and living with spouse	85.4	61.7	23.7 ***
Cohabiting with partner	1.5	6.7	-5.2
Single			
Divorced or separated	12.4	29.9	-17.5 ***
Divorced	2.4	6.6	-4.2
Separated	10.0	23.3	-13.3 **
Sample size (total = 181)	90	91	
Marital status in month prior to interview for those cohabiting at random assignment			
Married or cohabiting			
Married and living with spouse	40.1	29.0	11.1
Cohabiting with partner	29.4	47.8	-18.4
Single			
Divorced or separated	4.8	8.3	-3.5
Divorced	3.3	3.0	0.4
Separated	1.5	5.4	-3.9
Never married	25.7	14.9	10.8
Sample size (total = 109)	54	55	

SOURCES: MDRC calculations using data from the 36-month client survey and Minnesota's Family Court public records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] The difference is the impact of the financial incentives, mandatory services, reinforced incentive messages, and elimination of the 100-hour rule and work history requirement.

cohabiting or never married, in the month prior to the 36-month interview.[25] MFIP significantly increased the probability of being married and living with a spouse; 67.3 percent of the MFIP group reported being married at the time of the 36-month interview, compared with 48.3 percent of the AFDC group — a 19.1 percentage point, or 40 percent, increase. MFIP recipients in two-parent families were significantly less likely to live with a partner (by 9.3 percentage points) and were significantly less likely to be divorced or separated (by 12.6 percentage points) compared with AFDC families. Most of the impact on divorce or separation was driven by the impact on separation; MFIP significantly reduced being separated or living apart from a spouse, by 9.5 percentage points, and it had a negative though not significant effect on being divorced.

Because recipients in MFIP two-parent families were either formally married or cohabiting at study entry, MFIP's effects on divorce and separations could mean two things: (1) MFIP decreased the incidence of new divorces or separations that occurred during the follow-up period among those who were formally married, or (2) respondents who were divorced and cohabiting at study entry separated during the follow-up period and, thus, were identified as divorced at the 36-month follow-up point (even though a divorce did not actually occur during the follow-up period). The bottom two panels of Table 6.6 presents MFIP's effects on marital status separately for recipients who were formally married at study entry and those who were cohabiting at study entry. These impacts show that MFIP increased marriage among both groups, though the effects on increasing marriage and decreasing divorce or separation were larger (23.7 and 11.1 percentage points, respectively) for the recipients in two-parent families who were formally married at study entry. Thus, one effect of MFIP was to significantly increase marital stability among two-parent recipient families.

Are MFIP's impacts on increasing marriage "real"? If so, then they are particularly striking, because, as will be discussed later, they are contrary to controversial findings from guaranteed income programs like the NIT experiments, which suggest that increasing the income of low-income two-parent families would also increase the likelihood of divorce or separation.[26] Given the importance of these findings in light of prior controversial results and given the risk of bias in these findings due to misreporting, a number of additional analyses as well as data collection and fieldwork were conducted to confirm MFIP's impacts on marriage.

As discussed earlier, MFIP may have increased marriage among two-parent recipient families because of its financial incentives, which supported working two-parent families, or because of its streamlined eligibility rules, which reduced the incentive to split up as a means of continuing to receive welfare benefits. That is, MFIP's effects on increasing marriage could be an artifact of underreporting by AFDC recipients, most of whom were on AFDC-UP and subject to work restrictions, possibly creating an incentive to misreport their marital status and thus preserve eligibility for welfare benefits. In general, a fair amount of cycling exists between the AFDC-UP and AFDC programs, and it may be assumed that some of this cycling is driven by families who misreport changes in marital status.[27] Though the evaluation's interviewers reassured respondents that the information they provided would be confidential, it is possible that the kind of misreporting that occurs in a welfare office also could have occurred in the survey.

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[25] As shown in Table 2.4, approximately one-third of the sample of two-parent recipient families were not married at the time of random assignment; that is, they were never married, divorced, or separated but were cohabiting.

[26] See Appendix G for a more detailed discussion of the NIT and a comparison of the MFIP evaluation with the NIT experiments.

Further analyses of survey data show some evidence that marital status was not misreported. MFIP's impacts on marriage and divorce or separation for two-parent recipient families were remarkably consistent for a number of subgroups: families with and without a spouse's earnings, with and without a spouse who had a recent employment history, and across race/ethnicity categories (whites, blacks, and others, including Asians). In addition, the effects of MFIP on marriage and divorce or separation were examined for both respondents who reported that they were on welfare and those who reported that they were not on welfare. This last comparison is nonexperimental but useful, because respondents who were still on welfare were theoretically the only ones with an incentive to misreport their marital status. In fact, only one-third of the survey respondents reported being on welfare in the month prior to the interview. Furthermore, MFIP's effects on marriage and divorce or separation were similar for respondents who were on welfare and those who were not.

Program changes that affected the control group and that occurred during the survey period may also be used to isolate the effects of MFIP's streamlined eligibility rules on misreporting. Specifically, in July 1997, control group members who were on AFDC-UP were no longer subject to work history requirements or the 100-hour rule, and they were notified about this change in June 1997. Thus, because most control group families were on AFDC-UP, the timing of the survey interview can be used to isolate those who were subject to the 100-hour rule from those who were not. Impacts on marriage and divorce or separation were examined separately for the respondents who were interviewed before June 30, 1997, and for the respondents who were interviewed after August 31, 1997 (to allow for at least one month of transition). Impacts on marriage and divorce or separation for the early cohort were similar in magnitude to impacts for the later cohort, that is, respondents who were no longer subject to the 100-hour rule (not shown).

Analysis of Public Divorce Records. Despite the usefulness of evidence based on reanalysis of survey data, analyzing information from an objective source is the best method of confirming MFIP's effects on marital stability. Fortunately, marriages and divorces are of public record in Minnesota, and these data provide a relatively less intrusive and less expensive way to extend the follow-up period for information about marital status past the 36 months of the survey. MDRC staff traveled to Minnesota to collect information about divorces for the subgroup of two-parent recipient families who were married at random assignment.[28]

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[27] Preliminary analyses of the San Diego Saturation Work Initiative Model (SWIM) program in California suggest that one-quarter to one-third of AFDC-UP families received AFDC payments within one year (Hamilton, 1995).

[28] Each county in Minnesota monthly updates public records of divorce decrees in the county where the divorce is finalized, which is often the county of residence. The information is available through public-use computer terminals in each county's family court office. MDRC staff determined whether or not a divorce was documented for each of the 181 two-parent recipient families in the survey sample who were married at the time of random assignment, in nine counties (Anoka, Dakota, Hennepin, Mille-Lacs, Morrison, Ramsey, Sherburne, Todd, and Washington Counties), seven of which are included in the MFIP evaluation. Random assignment occurred between April 1994 and May 1996, and the 36-month survey period was from April 1997 to May 1998. Information about the divorce de-

(continued)

The top panel of Table 6.6 presents the data from public divorce records and shows that MFIP significantly increased marital stability for up to five years after random assignment. Two-parent recipient families in MFIP who were married at random assignment were 6.5 percentage points, or 52 percent, less likely than AFDC families to have gotten a divorce. The difference in divorce rates among the recipients who were married at random assignment is large: 11 percent for those in MFIP families, compared with 20 percent for those in AFDC families (not shown). These impacts imply two things. First, they confirm the impacts observed from the survey data and suggest that misreporting did not bias them. Second, these impacts imply that MFIP also had a longer-term effect on marital stability. At the 36-month point, the survey data show a small but statistically insignificant effect on divorce. The data from public divorce records up to five years later suggest that MFIP had a large and statistically significant effect on reducing the likelihood of divorce. The different impacts reflect both that some of the separations captured at the 36-month point eventually resulted in divorce and that some divorces occurred after the 36-month point.

Visits with Caseworkers and Review of Case Files. In mid-February 2000, MDRC staff also held meetings with 15 financial caseworkers in Dakota and Hennepin Counties to discuss marriage, misreporting of family composition, and welfare programs for two-parent recipient families. These financial caseworkers were familiar with pre-TANF welfare programs, with the MFIP field trials, and with the current statewide program (MFIP-S). In addition to these meetings, MDRC staff reviewed selected case files to assess whether and how changes in family composition were confirmed and documented.

The financial caseworkers agreed that misreporting about the presence or absence of a spouse or partner is quite common. They asserted that low-income families generally believe that they are not eligible for welfare if the father of the child is living in the household. In most cases, however, mothers who lie about the father's presence in the household are caught. The caseworkers said that the following clues often point to misreporting: the mother claims that she does not know the address of the father, the father is not found in the child support system or the mother has not filed for child support, a new child is added to the case and the father is identified on the birth certificate, the family's rent is greater than its reported income, or the father answers the phone or records his voice on the answering machine. Fraud referral — the use of an independent person in the welfare department to check on the validity of a welfare claim — is frequently used to confirm whether or not a father is in the household. The financial caseworkers also mentioned that they frequently spent part of their day handling anonymous complaints about fraud.

These discussions were consistent with a review of seven case files documenting changes in family composition. These case files showed that fathers commonly cycled in and out of the household and that, more often than not, such cycling eventually led to a father's permanent absence from the home. Proof of his permanent absence took such forms as a divorce decree and records of child support payments.[29]

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crees was collected the week of February 22, 2000, and thus represents a measure of marital status for up to five years after random assignment.

[29] For example, Mother X was married in June 1990; she claimed to be separated in July 1991, according to an affidavit; in May 1993, the father was found in the home via fraud referral services; in June 1993, the father was (continued)

How Did MFIP Increase Marital Stability? There are two competing hypotheses to explain how MFIP might have improved marital stability. The first is that MFIP's financial incentives helped support working families by allowing them to keep more of their welfare benefits, which decreased strain within a marriage. The second hypothesis is that MFIP's streamlined eligibility rules (that is, no 100-hour rule or work requirements) also supported two-parent working families by allowing them to combine welfare and work, which led to extended time on welfare. In an effort to isolate whether or not MFIP's streamlined eligibility rules *per se* increased marriage, MFIP's impacts on marriage and divorce were examined for a subgroup who were most likely to be affected by the 100-hour rule and work requirements: large families on AFDC. Families with a large number of children were more likely to come up against the 100-hour rule restrictions and risk losing AFDC benefits. Two-parent families with many children may have found it difficult to make enough income working part time at a low-wage job, and because their AFDC grants were larger than other families, they were less likely than other families to be removed from welfare simply due to increased earnings. It was found that MFIP was as likely to increase marriage and decrease divorce for families with fewer than three children (an 18.4 percentage point impact on marriage and a -11.2 percentage point impact on divorce or separation) as for families with three children or more (an 18.4 percentage point impact on marriage and a -12.9 percentage point impact on divorce or separation). Thus, even though some portion of the control group may not have been on AFDC-UP, these impact findings are large enough to provide some evidence against the hypothesis that streamlined eligibility rules were primarily responsible for MFIP's impacts on marital stability.

Results from other experimental and nonexperimental studies can inform how MFIP affected marital stability. With the Family Support Act of 1988, Congress authorized a set of state experiments to alter the 100-hour rule. Three states — California, Utah, and Wisconsin — responded to this authorization. If implemented properly, these state studies would have provided pure tests of eliminating the 100-hour rule. The results from Wisconsin and California suggest that the experiment increased marital stability, whereas the results from Utah suggest that the experiment did not significantly affect marital stability. Unfortunately, a number of flaws in implementation and design suggest that the results from these state studies are inconclusive.[30]

Findings from the largest Negative Income Tax (NIT) experiment — the Seattle/Denver Income Maintenance Experiment (SIME/DIME) — suggest that a guaranteed income increased marital instability for black and for white two-parent families.[31] The effects on marital instability were most prominent with lower guaranteed income amounts. This is contrary to the hypothesis that increased income increases the self-sufficiency of one parent and thus may lead to marital breakup. An alternative hypothesis is that marital dissolution may have been caused by nonmonetary factors in SIME/DIME. In particular, to continue receiving a guaranteed income after dissolution of the marriage, experimental group members experienced fewer transaction costs than control group members, though their guaranteed income was also less; that is, even when single, they could continue to receive a guaranteed income by default. In comparison, control group

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deemed back in the household; then, in December 1994, Mother X claimed to be separated again and filed for child support. As of February 2000, no further evidence existed to suggest that the father had returned to the home.

[30] Birnbaum and Wiseman, 1996.

[31] Groeneveld, Tuma, and Hannon, 1980; Hannan, Tuma, and Groenveld, 1978.

members whose marriage dissolved had to reapply and recertify their public assistance eligibility. Some of the original findings did not hold up in a reanalysis that separated families with children from those without children and that examined marital stability over a longer period.[32] Findings from a more recent study of the California Work Pays Demonstration (CWPD) suggest that a $100 reduction in base benefits induced a 10-point increase in marital dissolution among two-parent families at random assignment.[33] The author suggests that marital instability was related to higher levels of welfare benefits.

Nonexperimental research has also found no relationship between the presence of state AFDC-UP programs and marital stability[34] and that the effects of the Earned Income Credit (EIC) on marriage are relatively small. Based on data on married and unmarried females, simulated effects of the EIC expansions on marriage suggest that the EIC would raise marriage rates by 1 percentage point for the lowest-income families ($10,000 to $15,000) and would reduce marriage rates by 0.4 to 0.8 percentage points for middle-income families ($25,000 to $50,000).[35]

In summary, the evidence is mixed about the effects of welfare benefits and income on marital stability. Although MFIP's impacts on marital stability are not a result of misreporting, both the 100-hour rule and streamlined eligibility rules in general likely help working two-parent families to stay together. For example, caseworkers in Hennepin County overwhelmingly agreed that MFIP's streamlined eligibility rules "legitimized" two-parent families on welfare and, therefore, decreased misreporting as well as allowed the families to stay together. These caseworkers also agreed that MFIP helped two-parent families "get through rocky times."

F. MFIP's Effects on the Sources of Income and on New Measures of Total Income

Impact results on two-parent recipient families' income composed of the earnings of both parents and welfare receipt are presented in Table 6.5. These impacts show no significant difference in income between MFIP families and AFDC families. The impact results on marital status (Table 6.6) suggest that a significant portion of the AFDC group were no longer a "two-parent family" at the time of the interview; that is, according to the survey, 21.5 percent were divorced or separated. Despite these changes in marital status, the prior analyses include the earnings of the "other" parent and assume that the family stayed together throughout the follow-up period. Consequently, the level of family income during the follow-up period is inflated, particularly for families in the control group, who were more likely to split up.[36]

Table 6.7 presents MFIP's impacts on income and sources of income for two-parent recipient families in the month prior to the interview, as reported on the survey. Data on all sources of income in the prior month give a snapshot of information about the contribution of the partner or spouse to total family income. The weakness in these measures of income is that they may not reflect long-term availability of resources. According to the survey measures of current income,

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[32] Cain and Wissoker, 1990.

[33] Hu, 1998.

[34] Winkler, 1995

[35] Eissa and Hoynes, 1999.

[36] Because marital status information is available only for the survey sample, the exact proportion of two-parent families who stayed together during the follow-up period according to the administrative records data is unknown.

Table 6.7

MFIP's Impacts on Income and Income Sources for Two-Parent Recipient Families

Outcome	MFIP	AFDC	Impact[a] (Difference)
Income reported on the survey			
Income in previous month from earnings and welfare ($)	889	812	76
Income in previous month from all sources ($)	1,886	1,599	286 *
Percentage with income source			
Own earnings	56.1	51.5	4.6
Earnings of other members	57.3	42.6	14.7 **
Child support	7.1	10.5	-3.4
Public assistance	55.7	47.9	7.8
Any other income	20.0	21.7	-1.8
Amount of income source ($)			
Own earnings	553	560	-7
Earnings of other members	758	592	166
Child support	8	22	-13 *
Public assistance	339	237	102 **
Sample size (total = 290)	144	146	

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] The difference is the impact of the financial incentives, mandatory services, reinforced incentive messages, and elimination of the 100-hour rule and work history requirement.

MFIP families had $286 per month more than AFDC families, and earnings from a partner or spouse contributed to just over half this increase ($166). These results suggest that because MFIP encouraged two-parent families to stay together, MFIP families were more likely to have higher levels of total family income than AFDC families. These results also suggest that, in addition to the increase of welfare benefits, MFIP's increase in marital stability and in the financial contributions from spouses might have contributed to the decrease in women's earnings.

The first panel of Table 6.8 presents MFIP's impacts on average quarterly income from earnings and welfare for the survey sample, adjusting for the contribution of spouses' earnings among recipients who were separated or divorced at the 36-month point. Because the actual timing of the separations or divorces is unknown, estimates are presented under two different assumptions: (1) that all the separations or divorces occurred during the last quarter of follow-up or (2) that they occurred evenly throughout the follow-up period.[37] When spouses' earnings are excluded for recipients who divorced or separated, MFIP had a significant impact on income from earnings and welfare, even using the more conservative second assumption.

The second panel of Table 6.8 presents adjusted impacts on average quarterly income from earnings and welfare for the entire sample of two-parent recipient families. Because survey information about marital status was not collected for the full sample, these analyses also assume that separations or divorces occurred randomly for 11 percent of the experimental group and for 20 percent of the control group.[38] Under the assumption that the timing of separations or divorces occurred evenly throughout the follow-up period, MFIP significantly increased average quarterly income from earnings and welfare for the full sample of two-parent recipient families: by $181 in year 1, $165 in year 2 (not significant), and $317 in the last quarter of follow-up. Using this measure of income, MFIP also significantly reduced poverty for two-parent recipient families.

G. MFIP's Effects on Other Measures of Family Well-Being

Data from the 36-month client survey were used to construct a number of other measures of family well-being.[39] MFIP's impacts on these outcomes for two-parent recipient families are presented in Table 6.9.

Material Hardship. The first panel of Table 6.9 shows outcomes designed to capture recipients' perceptions of financial strain and material hardship. The first measure is a mean score on a scale ranging from 1 to 4, with a higher score indicating greater perceptions of financial strain. The scale includes such items as "My financial situation is better than it's been in a long time" and "I worry about having enough money in the future." The second measure is a summary score on a scale ranging from 0 to 7, with a higher score indicating a greater level of material

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[37] Based on information about the dates of finalized divorce decrees in public records, approximately 29 percent of divorces were finalized from 1994 to 1996, 46 percent were finalized in 1997 and 1998, and 25 percent were finalized in 1999. These data provide some evidence to support the assumption that separations or divorces occurred evenly throughout the follow-up period.

[38] The survey sample is representative of the full sample of recipients. See Appendix D.

[39] These are the main outcomes. Other outcomes — such as measures food security, perception of quality of neighborhood, and household composition — were created and analyzed but not reported. MFIP generally did not affect these other outcomes. However, consistent with MFIP's impact on marriage, MFIP did increase household size and decrease the likelihood of living with unrelated adults.

Table 6.8

MFIP's Impacts on Average Quarterly Income for Two-Parent Families, Adjusting for Marital Stability and the Timing of Separations

	Assume Couples Stay Together		Account for Separation/ Divorce During Follow-Up			
			Separation/Divorce Occurs Only in the Last Quarter		Separation/Divorce Occurs Evenly During Follow-Up	
	AFDC	Impact[a] (Difference)	AFDC	Impact[a] (Difference)	AFDC	Impact[a] (Difference)
Survey Sample with Actual Matching of Separation/Divorce						
Average quarterly income						
Average quarterly income from welfare and earnings ($)						
Year 1	3,993	135	3,993	135	3,919	187
Year 2	4,239	319	4,239	319	3,969	535 *
Year 3 (1 quarter)	4,449	506	4,123	763 **	4,123	763 **
Sample size (total = 290)	145					
Administrative Records Sample Randomly Assigning Separation/Divorce						
Average quarterly income						
Average quarterly income from welfare and earnings ($)						
Year 1	3,833	114	3,833	114	3,690	181 *
Year 2	4,187	-49	4,187	-49	3,819	165
Year 3 (1 quarter)	4,359	42	3,987	287 *	3,888	317 *
Quarterly averages during the first 10 quarters						
Income from earnings and welfare ($)	4,106	48	4,007	61	3,769	189 *
Measured poverty[b] (%)	58.5	-1.1			70.6	-4.5 **
Sample size (total = 1,523)	762					

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare benefits are defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] The difference is the impact of the financial incentives, mandatory services, reinforced incentive messages, and elimination of the 100-hour rule and work history requirement.

[b] The poverty rate is calculated as the percentage of sample members whose incomes from earnings and benefits are below the poverty line. This measure of poverty is not comparable to the official poverty rate, since income does not include income from other sources.

Table 6.9

MFIP's Impacts on Family Outcomes for Two-Parent Recipient Families

Outcome	MFIP	AFDC	Impact[a] (Difference)
Material hardship			
Perceptions of financial strain	2.8	2.8	-0.1
Index of material hardship	1.6	1.7	-0.1
Own home (%)	37.0	18.0	18.9 ***
Public or subsidized housing (%)	18.9	23.5	-4.6
Other housing (%)	44.2	58.5	-14.3 **
Married and own home (%)	33.3	12.7	20.6 ***
Residential moves			
Number of times moved since random assignment (%)			
None	35.8	31.4	4.4
Once	34.9	25.5	9.4
Two or more times	28.7	43.1	-14.4 ***
Reasons for moving			
Better housing (%)	29.1	20.4	8.7
Bought home (%)	9.2	4.2	5.1 *
Employment or job (%)	2.2	5.3	-3.1
Subsidized housing (%)	2.2	3.6	-1.4
Evicted or forced out (%)	11.1	14.7	-3.5
Personal reasons (%)	10.1	20.7	-10.6 **
Health insurance coverage in prior month			
Respondent has health coverage (%)	86.1	73.7	12.4 **
Respondent on Medicaid or MinnCare (%)	67.0	50.4	16.7 ***
Respondent has private insurance (%)	20.2	26.8	-6.5
Had continuous health coverage over the 3-year follow-up (%)	67.6	61.8	5.8
Children have health coverage (%)	84.4	78.2	6.2
Children on Medicaid (%)	68.1	57.0	11.1 *
Children have private insurance (%)	23.0	26.4	-3.4
Spouse has health coverage (%)	65.6	43.7	21.9 ***
Spouse on Medicaid (%)	47.5	27.6	19.9 ***
Spouse has private insurance (%)	20.6	18.3	2.3
Sample size (total = 290)	144	146	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] The difference is the impact of the financial incentives, mandatory services, reinforced incentive messages, and elimination of the 100-hour rule and work history requirement.

hardship; the scale includes such items as not being able to pay bills and being evicted. MFIP did not significantly affect two-parent recipient families' material hardship as measured by the two summary scores.

In addition to the two scales of material hardship, three variables in Table 6.9 depict the housing status of two-parent recipient families. Some owned their homes. Public or subsidized housing means that the house was owned or operated by a local housing authority or other government agency or that the family paid less rent because of government help. "Other housing" includes renting, living with family or friends (whether paying rent or not), living in a group shelter, or living in some other housing arrangement. The majority of two-parent AFDC families (58.5 percent) lived in other housing, most of which was rented or leased. Compared with them, MFIP families were significantly less likely to live in other housing (a 14.3 percentage point decrease) and significantly more likely to live in homes that they owned (an 18.9 percentage point increase).

Just as family income was increased by MFIP's effects on marital stability, another possible spillover effect of improving marital stability may have been to increase the likelihood that two-parent recipient families owned their home. In support of this, the next outcome in Table 6.9 shows that MFIP significantly increased the likelihood of being married *and* owning a home — by 20.6 percentage points, or more than double the percentage of AFDC families. Or AFDC families may have been more likely to lose their home, because they were more likely to divorce or separate or because they did not receive MFIP's benefits. Both MFIP's financial incentives and its influence on marital stability may have affected home ownership. For example, one financial worker told about a two-parent family who wanted to buy a home and gave this worker's name to the mortgage company as a reference for loan approval. The mortgage company wanted a guarantee that the family would continue to receive MFIP benefits in the future, and though the financial worker could not guarantee this, the family did get the mortgage. They still own their home.

Residential Moves. The second panel of Table 6.9 shows MFIP's impacts on residential mobility since the time of random assignment. Of AFDC two-parent families, 31.4 percent did not move; MFIP families were significantly more likely to move, but only once. Since random assignment, 43.1 percent of AFDC families moved twice, compared with only 28.7 percent of MFIP families — a statistically significant decrease of 14.4 percentage points. There are two possible explanations for these impacts: Either MFIP encouraged residential moves from leased or rented housing into private homes, or AFDC families moved from private homes into leased or rented housing (and they moved more than once).

The 36-month client survey asked respondents who had moved to give the primary reason for their move. The third panel in Table 6.9 categorizes the reasons why two-parent recipient families moved. These outcomes are experimental measures; that is, respondents who did not move or who did not move for one of the cited reasons were counted as zero. AFDC families who moved did so primarily for personal reasons or for better housing. The impacts show that, compared with AFDC families, MFIP significantly increased the likelihood of moving either to attain better housing (by 8.7 percentage points, or 43 percent) or to purchase a home (by 5.1 percentage points; significant at p-value = 0.10). MFIP also significantly decreased the likelihood of moving for personal reasons (by 10.6 percentage points, or 51 percent).

Health Insurance Coverage. The bottom panel of Table 6.9 shows MFIP's impacts on health insurance coverage and its type in the month prior to the 36-month interview for each of the parents and for children in two-parent recipient families. Parents and children in MFIP were significantly more likely to have been covered by health insurance, particularly Medicaid or MinnCare, compared with parents and children in AFDC.[40] While 78.2 percent of children in AFDC families had health insurance coverage just prior to the interview date, 84.4 percent of children in MFIP families were covered, and MFIP children were significantly more likely to have been covered by Medicaid or MinnCare. There were no differences, however, in the continuity of coverage for the respondents. The most striking difference is in the coverage of spouses or partners; only 43.7 percent of spouses or partners in AFDC families had health insurance coverage, compared with 65.6 percent in MFIP families. Because MFIP encouraged combining work with welfare, it is not surprising that two-parent recipient families in MFIP were significantly more likely to have been covered by public than by private insurance.

H. MFIP's Effects on Child Well-Being

An antipoverty program's impacts on employment and marital stability may have important implications for children in low-income two-parent families. Children may benefit from antipoverty initiatives that help two-parent families stay together or that subsidize the employment of a parent who may then spend more time with the children at little or no cost to total family income. In addition, it is more complicated to negotiate child care arrangements when both parents are employed, because, on average, two-parent recipient families have more children than single-parent recipients. Overall, MFIP may have benefited children in two-parent recipient families by improving marital stability and by reducing the work effort of at least one parent, at the same time maintaining the family's level of income.

Research suggests that children fare better in two-parent than in single-parent families on a number of outcomes, such as achievement test scores and high school completion,[41] and that school-age children who are not supervised are at greater risk of receiving poor grades and of engaging in risk-taking behavior such as substance abuse.[42] The MFIP 36-month client survey collected selected information about schooling for children of two-parent families, and an analysis of these outcomes is included as an appendix in Volume 2.[43] These results suggest that, on some selected aspects of schooling, children in MFIP two-parent recipient families fared similarly to children in AFDC families. Unfortunately, a more complete portrait of the well-being of these children — including a larger sample and a broader range of outcomes — is not available.

V. Effects on Two-Parent Applicant Families

The discussion turns now from MFIP's effects on two-parent recipient families to its effects on two-parent families who were applicants for welfare assistance at the time of random assignment.[44] Table 6.10 presents impacts on their employment, earnings and welfare receipt. Unsurprisingly, the employment rates for both women and men applicants were much higher than for recipients. MFIP did not affect the employment of women in two-parent applicant families, but it did significantly affect their average quarterly earnings during year 2 of follow-up; women in MFIP families had significantly lower earnings than women in AFDC families. For men in two-parent applicant families, MFIP had no significant effect on employment or earnings. MFIP also did not significantly affect the likelihood that either parent was employed or the likelihood that both parents were employed during the follow-up period.

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[40] The proportions covered by Medicaid or MinnCare and by private insurance do not add up to the total proportion covered by health insurance because some families used both Medicaid or MinnCare and private insurance.

[41] See, for example, Gennetian, 1999; McLanahan and Sandefur, 1994.

[42] Dwyer et al., 1990; Petit, 1997.

[43] Gennetian and Miller, 2000.

The second panel of Table 6.10 presents impacts on welfare receipt for two-parent applicant families. MFIP families were more likely to receive welfare and to receive a higher amount of benefits than AFDC families, although the increase in welfare receipt dropped off by year 2 of follow-up. Two-parent applicant families in both groups were not likely to stay on welfare for long; the majority were no longer receiving benefits by the end of the follow-up period (only 29.2 percent of MFIP families and 20.6 percent of AFDC families were still receiving benefits). Of those AFDC families who were receiving welfare benefits during the last quarter of follow-up, over one-third were receiving Food Stamp benefits only (not shown).

Table 6.11 presents MFIP's impacts on income and poverty for two-parent applicant families. Those in MFIP had a slightly higher level of income during year 1 of follow-up, largely due to increases in welfare income, and they were significantly less likely than AFDC families to be below the poverty line — by 7 percentage points (not shown). MFIP had little effect on income or poverty during year 2 of follow-up and had no effect on combining welfare and work. Because of small sample sizes, other outcomes that could be constructed only from the survey data were not analyzed.

VI. Conclusion and Review of Other Antipoverty and Welfare Programs for Two-Parent Families

MFIP's effects on employment and earnings for two-parent families were very different from its effects on single-parent families. For two-parent recipient families, MFIP decreased or delayed the employment of one parent, which resulted in decreased total family earnings. MFIP increased marital stability, however, and because these families were more likely than AFDC two-parent families to have a second earner in the household, they had significantly more total family income. These results differ from MFIP's effects on single-parent recipients, primarily because single mothers responded differently to MFIP than mothers in two-parent families. Whereas mothers in two-parent recipient families were more likely to respond to MFIP's incentives by delaying entry into employment or reducing their work effort, mothers in single-parent recipient families were more likely to participate in employment-related services and to enter employment and work full time.

The results from the MFIP evaluation contribute to emerging findings from nonexperimental and experimental studies of two-parent families that have focused on two outcomes of

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[44] Appendix Table F.2 presents participation impacts using administrative records data for women and men in two-parent applicant families. MFIP had no significant impact on participation for these families.

Table 6.10

MFIP's Impacts on Employment, Earnings, and Welfare for Two-Parent Applicant Families

	Women			Men			Families		
Outcome	MFIP	AFDC	Impact[a] (Difference)	MFIP	AFDC	Impact[a] (Difference)	MFIP	AFDC	Impact[a] (Difference)
Employment and earnings									
Average quarterly employment rate (%)									
Year 1	48.3	48.7	-0.4	63.4	65.9	-2.5	78.3	78.1	0.2
Year 2	51.7	52.9	-1.3	62.9	65.5	-2.6	78.2	79.0	-0.7
Year 3 (1 quarter)	55.9	54.1	1.8	63.9	61.5	2.4	81.0	77.7	3.4
Average quarterly earnings ($)									
Year 1	1,187	1,315	-128	2,400	2,555	-156	3,587	3,870	-283
Year 2	1,481	1,747	-266 *	2,841	3,186	-345	4,323	4,933	-611 **
Year 3 (1 quarter)	1,712	1,818	-106	3,162	3,392	-231	4,873	5,210	-337
Welfare receipt									
Average quarterly receipt rate (%)									
Year 1							56.5	43.6	12.9 ***
Year 2							32.7	27.0	5.7 *
Year 3 (1 quarter)							29.2	20.6	8.6 ***
Average quarterly benefits ($)									
Year 1							1,039	580	459 ***
Year 2							597	332	265 ***
Year 3 (1 quarter)							501	246	255 ***
Sample size (total = 733)							348	385	

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] The difference is the impact of the financial incentives, mandatory services, reinforced incentive messages, and elimination of the 100-hour rule and work history requirement.

Table 6.11

MFIP's Impacts on Income and Poverty for Two-Parent Applicant Families

Outcome	MFIP	AFDC	Impact[a] (Difference)
Average quarterly income			
Average quarterly income from welfare and earnings ($)			
Year 1	4,626	4,450	176
Year 2	4,920	5,265	-345
Year 3 (quarter 1)	5,374	5,456	-82
Income and poverty in second year of follow-up			
Average quarterly income from welfare and earnings ($)	4,920	5,265	-345
Measured poverty[b] (%)	42.1	38.2	4.0
Income and poverty in second year with estimated taxes and EIC benefit[c]			
Average quarterly income from welfare and earnings ($)	4,584	4,757	-173
Measured poverty[b] (%)	36.0	35.2	0.8
Income sources			
In last quarter of follow-up (%)			
Earnings, welfare	19.5	16.2	3.3
Earnings, no welfare	55.0	58.9	-3.9
No earnings, welfare	6.2	4.3	1.9
No earnings, no welfare	17.1	18.4	-1.3
Sample size (total = 733)	348	385	

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] The difference is the impact of the financial incentives, mandatory services, reinforced incentive messages, and elimination of the 100-hour rule and work history requirement.

[b] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

[c] These estimates are calculated assuming that all eligible individuals received both the federal and state Earned Income Credit. Estimated payroll taxes and federal and state income taxes are also subtracted.

antipoverty policies: labor supply and marital stability. The Earned Income Credit (EIC) is the most widespread antipoverty policy currently available to two-parent families. With a few exceptions, the literature reports that financial incentives to work, such as tax credits and earned income disregards, generally reduce labor supply among mothers in two-parent families but increase it among mothers in single-parent families. The effects of these policies on marital stability are inconclusive. For example, no documented relationship has been found between AFDC-UP or AFDC and marital stability,[45] although there is some evidence of a relationship between marital instability and enhanced income initiatives such as the Negative Income Tax (NIT) experiments and the EIC.[46] The results from the MFIP evaluation suggest that enhancing income via employment may allow married couples to stay together, to negotiate joint employment decisions, and to maintain a minimal level of family income.

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[45] Hoffman and Duncan, 1995; Winkler, 1995.

[46] Groeneveld, Tuma, and Hannon, 1980; Eissa and Hoynes, 1999.

Chapter 7

Benefit-Cost Analysis

The preceding chapters showed that, for a significant part of the welfare population, the Minnesota Family Investment Program (MFIP) increased employment and family income, reduced dependence on welfare as the sole source of income, and improved other family outcomes. What did it cost to produce those effects? To provide an overall picture of MFIP's effectiveness for different types of families, this chapter assesses the program's costs and the gains it produced.

The earlier chapters presented those effects of MFIP that can be directly measured for individual sample members. This chapter compares the program's net benefits and costs, including directly measured effects as well as additional effects that are estimated for the purpose of the benefit-cost analysis. Outcomes that are directly measured include earnings, welfare benefits, and indicators of family and child well-being. Outcomes that are estimated include tax payments, fringe benefits, and the cost of operating the program's employment and training services. Thus, the analysis draws on information both from preceding chapters and from other sources, such as state fiscal records, to give a comprehensive account of the program's benefits and costs. These gains or losses from the effects of MFIP are assessed from the perspectives of the groups and institutions most directly affected in Minnesota: the welfare sample, the government budget, taxpayers (who are not members of the welfare sample), and society as a whole.

The benefit-cost estimates and the analysis in this chapter are designed to answer the following questions:

- From the perspective of families in the program, did MFIP result in net gains or net losses?
- From a budgetary standpoint, did MFIP result in net costs or net savings?
- From the perspective of taxpayers, were MFIP's net costs and savings accompanied by the achievement of key goals, such as increased employment and reduced poverty among families in the program?
- What are MFIP's benefits and costs to society as a whole?
- How do MFIP's benefits and costs vary for different types of families?

I. Summary of the Findings

Table 7.1 provides a summary of the benefit-cost results for the six subgroups in the MFIP evaluation. The top two panels summarize the financial results of MFIP. They present the net financial gains or losses to the welfare sample, the government budget, taxpayers, and society as a whole. These results are expressed per family, and they show only the net increase or decrease compared with the Aid to Families with Dependent Children (AFDC) system that MFIP replaced. The first panel presents a summary of the total results for five years, and the second panel presents average

Table 7.1

Financial and Nonfinancial Gains and Losses per MFIP Group Member, by Subgroup and Accounting Perspective (in 1996 Dollars)

	Single-Parent Long-Term Recipients			Single-Parent Recent Applicants			Two-Parent Families	
Perspective	Urban	Rural	Total[a]	Urban	Rural	Total[a]	Recipients	Applicants
Total financial gains and losses over five years								
Welfare sample	10,222	9,301	9,891	5,967	10,477	7,762	6,855	521
Government budget	-8,465	-12,068	-9,762	-8,122	-11,912	-9,630	-19,147	-12,762
Taxpayers	-8,678	-12,113	-9,915	-8,111	-12,008	-9,662	-18,669	-12,173
Society	1,545	-2,812	-24	-2,144	-1,531	-1,900	-11,814	-11,652
Total financial gains and losses expressed annually								
Welfare sample	2,044	1,860	1,978	1,193	2,095	1,552	1,371	104
Government budget	-1,693	-2,414	-1,952	-1,624	-2,382	-1,926	-3,829	-2,552
Taxpayers	-1,736	-2,423	-1,983	-1,622	-2,402	-1,932	-3,734	-2,435
Society	309	-562	-5	-429	-306	-380	-2,363	-2,330
Non-financial effects over observation period (from welfare sample perspective)[b]								
Work, welfare, and income per quarter[b]								
Percentage with income below poverty	↓	↓	↓	↓	↓	↓	↓	0
Percentage working	↑	↑	↑	↑	↑	↑	0	0
Welfare use								
Percentage receiving welfare	↑	↑	↑	↑	↑	↑	↑	↑
Percentage relying solely on welfare	↓	↓	↓	↓	0	↓	0	0
Other family outcomes								
Continuous health coverage[c] (%)	↑	0	↑	↑	↑	↑	0	n/a
Homeownership[d] (%)	0	0	0	0	↓	0	↑	n/a
Mother currently married and living with spouse[e] (%)	0	0	↑	0	0	0	↑	n/a
Time spent out of the home[f]	↑	0	↑	↑	0	↑	0	n/a
Child environment and child well-being (measured for families with children age 2-9)[g]	↑	n/a	n/a	0	n/a	n/a	n/a	n/a

(continued)

Table 7.1 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) and public assistance benefit records, the 36-month client survey, state and federal tax codes, aggregate fiscal data, and county child care payment records. Refer to previous chapters of this report and to Volume 2 (Gennetian and Miller, 2000).

NOTES: The arrows on this table reflect positive and negative statistically significant effects. Outcomes indicated as n/a are not measured. A more in-depth explanation of these impacts can be found in previous chapters of this report and in Volume 2.

[a] Total gains and losses were estimated as a weighted average of urban and rural results, based on urban and rural proportions in total caseloads of the seven field trial counties.

[b] Average quarterly during the follow-up period.

[c] Percentage who had continuous health insurance coverage from random assignment through time of the 36-month survey.

[d] Percentage who owned their home at the time of the 36-month survey.

[e] Percentage married and living with spouse at the time of the 36-month survey.

[f] Measured on 36-month survey as average hours worked per week in current or most recent job. For two-parent families, measured only for the survey respondent (usually the mother).

[g] Summary of full MFIP impacts on domestic abuse and on behavior and school outcomes for children age 2-9 at random assignment. For urban long-term recipients, MFIP produced statistically significant impacts on domestic abuse and on children's behavior and school performance. For urban recent applicants, MFIP produced few statistically significant impacts on child well-being. For single-parent families in rural counties and for two-parent families, the results are not reported due to small sample sizes.

annual results over the five years. The bottom three panels of Table 7.1 illustrate the nonfinancial effects of the program based on measured outcomes described in earlier chapters. The symbol (↑) denotes a statistically significant increase, the symbol (↓) denotes a statistically significant decrease, and the symbol (0) denotes outcomes that were not affected by the program. The conceptual approach of the benefit-cost analysis and the results presented here are discussed in detail later in the chapter.

- **For almost all the groups, MFIP produced substantial net financial gains, ranging from $1,200 to $2,100 per year per family over five years.** Such gains are unusual among other types of welfare-to-work programs and were mostly induced by MFIP's financial incentives. As would be expected, MFIP also cost more than the typical welfare-to-work program; depending on the group, MFIP cost between $1,600 and $3,800 per year per family, over and above the costs of the welfare programs that it replaced. Most of the increase in costs is made up of increased welfare benefits and associated Medicaid costs to support working families.

- **MFIP was most efficient at increasing the financial well-being of single-parent long-term recipients, with MFIP families gaining about a dollar for every dollar spent on the program by taxpayers.** The program achieved some of its largest financial gains for these families (about $2,000 per year over five years) and added a similar amount to government costs. Other important impacts include increased employment, reduced total reliance on welfare, and reduced poverty. For single-parent long-term recipients in the child study (those in urban counties with young school-age children), MFIP improved children's environments (by reducing domestic violence), and it improved child well-being.[1]

- **For single-parent families who were recent applicants, MFIP was a relatively efficient way to transfer income.** Economists have estimated that transfer programs may require as much as $1.50 in spending for each $1 gained by families.[2] In comparison, for each $1 of financial gains to single-parent families who were recent applicants, MFIP cost taxpayers about $1.24. The net gains for those families were about $1,550 per year over five years, while the net costs to taxpayers and the government budget were about $1,930 per year over five years.

- **For both single-parent long-term recipients and recent applicants, the program's patterns of benefits and costs differ between urban and rural counties.** Long-term recipients experienced similar financial gains whether they lived in urban or rural counties (about $1,900-$2,000 per year per family). However, the program cost more in rural counties — about $2,400 per year compared with $1,700 per year in urban counties. For recent applicants, the program produced larger financial gains for families in rural counties, and it also added more to government costs in those counties.

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[1] Volume 2 of this final MFIP report presents the outcomes from the child study; see Gennetian and Miller, 2000.
[2] See Burtless, 1987.

- **For two-parent recipient families, MFIP produced a financial gain of about $1,400 per year per family over five years. It also produced some dramatic nonfinancial effects (a decrease in the work effort of second wage-earners, substantially improved marital stability, and increased homeownership). However, MFIP cost more for this group than it did for other groups — adding about $3,800 per family per year to government costs, relative to the cost of the welfare programs it replaced.** As explained in Chapter 6, MFIP cost more for two-parent recipient families because many of these parents would have worked even in the absence of MFIP; the program led to greater use of financial incentives and to increases in welfare costs. (Note that because the child study focuses on single-parent families, MFIP's effects on measures of family and child well-being — such as domestic abuse and various child outcomes — were not measured for two-parent recipient families.)

- **For two-parent applicant families — the group most likely to leave welfare on their own — MFIP brought only small financial gains. It also increased costs to the government by $2,500 per year per family over five years.** Because of small sample sizes, few of the nonfinancial effects of MFIP were measured for two-parent applicant families.

- **When weighing the importance of MFIP's results for various groups, it seems appropriate to place substantial weight on the positive results for long-term recipients, the group who have been of greatest concern to policymakers in Minnesota and elsewhere and who therefore were targeted for MFIP's most intensive services.** Considering other groups, judgment about MFIP's success depends up how one values the increases in the financial well-being of families and the nonfinancial benefits that the program produced. When Minnesota instituted its statewide program, MFIP-S, policymakers made changes aimed at cost reduction and at increasing the program's effects for single-parent applicants; this evaluation, however, does not provide information on the results of those changes.

II. Background

This benefit-cost analysis builds on a framework used in previous welfare studies, but it differs from them in some important ways, reflecting differences between MFIP's goals and those of prior welfare-to-work initiatives. In many prior initiatives, the primary goal was to reduce welfare costs. The typical objective was to develop a program that would move people to work and to produce welfare savings that would "pay for the program," savings that exceeded the cost of operating the program. MFIP had more ambitious goals. It was designed not only to increase employment but also, at least in the short run, to reduce poverty and dependence on welfare and to improve the well-being of working families. While legislators and program designers wanted to keep costs as low as possible, they judged that Minnesotans were willing to increase government outlays, at least in the short run, in order to achieve the antipoverty goal and potentially improve family outcomes. Continued receipt of some benefits as a work supplement was consistent with MFIP's antipoverty objective.

The fact that MFIP's goals included reducing poverty complicates the task of comparing the program's benefits with its costs, for two reasons. First, benefit-cost analysis is most straightforward when all of a program's effects are measurable in dollars, so that they can be easily added and subtracted from one another to arrive at one "bottom-line" assessment of the program's effectiveness. Yet the kinds of outcomes that Minnesotans were interested in achieving — improvements in child well-being, for example — are difficult to measure in dollars. So it was possible that MFIP might increase monetary costs to the government but produce a set of noneconomic benefits (such as improvements in child well-being, reductions in domestic violence, or increases in family stability) that Minnesotans would deem worth the extra investment. Therefore, to cover as wide a range of benefits and costs as possible, this analysis accounts for both "financial" and "nonfinancial" effects of the program, even though this means that the program's effects cannot be neatly added up to produce one bottom-line number that summarizes its worth in dollars. Integrating the major nonmonetary effects of the program into the benefit-cost analysis is a pioneering effort to move this type of analysis in the direction of great comprehensiveness.

Second, it is also difficult to derive a single bottom-line figure that sums up the whole program because MFIP's effects varied substantially for different subgroups of the welfare population. For example, MFIP increased earnings, increased welfare benefits, reduced total reliance on welfare, and increased income among single-parent long-term recipient families (Chapter 4). Moreover, Volume 2 reports that MFIP achieved improvements in outcomes for children age 2 to 9 in urban long-term recipient families and that it decreased the incidence of domestic abuse. For single-parent recent applicants and two-parent families, MFIP achieved more modest effects on financial outcomes, but it substantially increased the likelihood that couples in two-parent families stayed married throughout the three-year period (Chapter 6). Thus, this benefit-cost analysis addresses each important subgroup separately, to highlight the ways in which the program was more or less effective for particular types of families.

One method that the benefit-cost analysis uses to describe MFIP's relative effectiveness for different types of families is to assess the program's efficiency at producing financial gains for each type. In this case, "efficiency" is defined as the level of financial gain to families per dollar spent by the government; so a very efficient program produces large gains to families at low cost to the government. To describe the efficiency of programs, economists have long employed the "leaky bucket" test.[3] The idea is that, like a leaky bucket, programs that transfer income from one group in society to another produce some wasted resources, or costs to society over and above the amount transferred. Some of the "leakiness" of programs is caused by administrative costs (which expend society's resources but do not directly benefit the targeted families). However, the inefficiencies that are of greatest political concern are decreases in work effort on the part of families who receive the new benefits; if families decrease their earnings in response to a transfer program, then for each dollar the government spends, families gain less than a dollar in income. The greater the decrease in earnings, the greater the leak in the bucket. The hope is that a work incentive program will decrease this inefficiency by providing additional income only if parents work. In a very efficient program, parents might even increase their work effort, so that each dollar transferred by the government brings more than one dollar in income for families.

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[3] See Okun, 1975.

This chapter presents the program's net benefits and costs per MFIP group member.[4] It presents five-year net gains and losses per MFIP group member for each of the six family types discussed in earlier chapters: single-parent long-term recipients in urban and in rural counties, single-parent recent applicants in urban and in rural counties, two-parent recipient families, and two-parent applicant families. (Further description of these groups appears in Chapter 1.) For the sake of brevity, most of the tables in this chapter present the results of each step of the analysis only for single-parent long-term recipients in urban counties. As discussed earlier, these families account for a disproportionate share of welfare costs and caseloads, and they are thus of greatest interest when considering the costs and benefits of the program.[5] The program's net gains and losses (but not the intermediate steps of the analysis) for each of the other five groups are presented at the end of the chapter.

Some cautions about the interpretation of the benefit-cost findings are in order. First, this report presents an analysis of the MFIP field trials, which were different in their various components than the statewide program (MFIP-S) that is currently being implemented in Minnesota; thus, the costs of MFIP-S are likely to differ from costs presented here. Second, the program's costs and benefits may extend past the five-year time frame used here, and it would be difficult to project the estimates past the five-year point with much accuracy. Third, unlike the earlier chapters, this benefit-cost analysis incorporates positive and negative financial estimates even when they do not reach the level of statistical significance, because they nonetheless represent the best estimates available. Thus, the financial estimates presented in this chapter should be considered approximations.[6]

The next section of this chapter describes the analytical approach and general methods used in estimating MFIP's financial gains and losses. Section IV then focuses on single-parent long-term recipients in urban counties, discussing and estimating MFIP's major benefits and costs during the observation period, as well as extrapolating estimates of the future benefits and costs, through year 5. Section V presents the results for the other MFIP subgroups, and Section VI provides a summary and conclusion to the analysis.

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[4] These are "net" because they are the benefits and costs per MFIP group member minus the benefits and costs that would have accrued in the absence of MFIP, through the AFDC system.

[5] Moreover, based on estimates from Minnesota's Department of Human Services, the urban caseload (the caseload in counties that make up the Twin Cities metropolitan area) currently represents nearly two-thirds of Minnesota's total caseload.

[6] However, when summarizing the program's nonfinancial effects, as in Table7.1, only effects that *are* statistically significant are depicted with (↑) and (↓) symbols.

III. The Analytical Approach

The analytical approach used in this benefit-cost analysis of the MFIP evaluation is similar to the approach used in previous evaluations by the Manpower Demonstration Research Corporation (MDRC).[7] The general analytic approach is to place dollar values on the program's effects and its use of resources wherever possible, either by directly measuring them or by imputing them. The program's effects on earnings and welfare benefits were measured directly. Its effects on fringe benefits, state and federal taxes, Medicaid and other health insurance payments, the costs of administering the transfer programs, and the costs of operating employment and training services were imputed or estimated. Aggregate fiscal expenditure data and data from a staff time study were used for cost estimations. Data on earnings and transfer payments in combination with transfer payment eligibility rules, tax regulations, and published data from various sources including state and federal agencies were used to impute the dollar values of other program effects. The analysis primarily uses information from the 36-month survey to account for program effects that are nonfinancial or difficult to value in dollar terms.

A. Accounting Methods

The financial benefit-cost estimates cover a five-year time frame starting with the quarter after random assignment (quarter 2). This time frame is similar to that used in previous MDRC evaluations of welfare reform programs where effects were expected to occur quickly and then decrease over time. This five-year time frame includes an observation period and a projection period.

The *observation period* for each sample member includes the portion of the follow-up period when benefits can be estimated from "observed," or recorded, data; it extends from random assignment through the last month of available data or June 1998, whichever is earlier. The observation period covers at least two-and-a-half years for all sample members and up to four years for those randomly assigned during the first month of the study (April 1994). Gains and losses observed at the end of this period were then *projected* to the end of the five-year time frame, using several assumptions about the magnitude of future effects. The *projection period* ranges from one to two-and-a-half years, depending on when a sample member was randomly assigned in the study.

As stated above, the five-year time frame is used because, as in most welfare reform studies, MFIP's effects were expected to occur fairly soon after people entered the program and then to decrease over time. The time frame also acknowledges that uncertainty increases the further one attempts to extrapolate beyond the observation period of two-and-a-half to four years.

The financial benefit-cost estimates are expressed in terms of *net present values per MFIP group member*. The "net" in net present value means that, like impacts, the estimated amounts represent differences between estimates for MFIP and AFDC group members. The estimates are in "present value" terms because the accounting method of "discounting" is used to express the dollar value today of program effects that will occur in future.[8] All benefit and cost estimate amounts are expressed in 1996 dollars, eliminating the effects of inflation on values of benefits and costs.[9]

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[7] Many of the techniques were originally developed for the evaluations of state programs under MDRC's Demonstration of State Work/Welfare Initiatives; see Long and Knox, 1985. This report's description of that approach is adapted from three previous MDRC reports: Riccio, Friedlander, and Freedman, 1994; Kemple, Fellerath, and Friedlander, 1995; and Bos et al., 1999. Minor distinctions have been introduced here to accommodate the data that are available for the present evaluation and the unique features of MFIP.

B. The Analytical Perspectives

An important issue in benefit-cost analysis of government programs is determining *who* bears any costs or benefits from the program. In other words, from whose perspective should the estimated net benefits and costs be viewed? This analysis presents the net benefits and costs from the analytical perspectives of the following main groups and institutions, which were most directly affected by the program in Minnesota:

- The welfare sample
- Government (or, more precisely, the government budget)
- Taxpayers (shorthand for individuals not in the welfare sample)
- Society as a whole

The same program effects might elicit gains from one perspective and losses from another. For example, from the perspective of the research sample (which is called the welfare sample in this chapter), an increase in welfare benefits may be considered a benefit because those welfare payments may be the only income available to these families. However, from the perspective of taxpayers (who are not in the welfare sample), an increase in welfare benefits is a cost. Thus, in assessing each main program effect, it is important in benefit-cost analysis to consider the perspective of each directly affected group.

Box 7.1 illustrates these four analytical perspectives and their roles in helping to determine whether a program and its components are a net gain to society or to any of the groups affected. The examples are offered only for illustrative purposes. Gains are represented by the (+) symbol, losses are represented by the (–) symbol, and the (0) symbol is used to represent situations where there is neither a gain nor a loss.

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[8] In programs like MFIP, many costs are incurred early in the program, particularly in the first two years, when welfare receipt is heaviest. However, some costs and benefits (for example, earnings gains) continue to be realized in later years. Simply comparing the nominal dollar value of program costs with benefits over multiple years would be problematic, because the value of a dollar is greater in the present than in the future. A dollar available today (either to MFIP group members or to the government) can be invested and may produce income over time, making it worth more than just a dollar available in the future. So to make a fair comparison between benefits and costs over multiple years, it is essential to focus on their value at a common point in time — for example, the present. This issue is addressed by discounting, which is a method for reducing the value of benefits and costs accrued in later years relative to benefits and costs accrued early in the program. This benefit-cost analysis uses the end of the first year following random assignment as the comparison point for the investment period. In other words, gains that accrued later were discounted to reflect their value at the end of year 1. In calculating these discounted values, it was assumed that a dollar invested at the end of year 1 would earn a real rate of return of 5 percent annually. For example, if a welfare reform program increased revenues to the government budget by an average of $1,221 per MFIP group member in the last quarter of year 5, its net present value would be $1,000 from the standpoint of the investment period. This is because $1,000 invested at the end of year 1 at a 5 percent annual rate of interest (compounded continuously) equals $1,221 at the end of year 5.

[9] Estimates are expressed in constant dollars by using quarterly GNP implicit price deflators from the *Survey of Current Business* (July issues: Table 8.1 prior to 1997 and Table C.1 after 1996) and the Bureau of Economic Analysis: *National Income and Wealth*.

Box 7.1

Examples of Costs and Benefits, by Analytical Perspective

	Analytical Perspective			
Main Effects of the Program	**Welfare Sample**	**Government Budget**	**Taxpayers**	**Society**
Financial effects				
Increase in transfer payments	+	–	–	0
Cost of employment and training services	0	–	–	–
Increase in earnings and fringe benefits	+	0	0	+
Increase in tax payments	–	+	+	0
Nonfinancial effects				
Increased time spent out of the home	–	n/a	?	–
Improvement in family well-being	+	n/a	+	+

In Box 7.1, the *welfare sample's perspective* identifies net gains or losses for members of the MFIP group, indicating how they fared as a result of the program. As illustrated, the direct impacts on earnings and transfer payments and the indirect or additional improvements in family well-being may represent gains for the welfare sample. On the other hand, there may be losses from the higher tax impacts and the increased time spent out of the home. Therefore, if the gains from earnings, transfer payments, and family well-being exceed the value of the higher taxes and the increased time spent out of the home, the program may be considered a net gain from the standpoint of the welfare sample.[10]

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[10] For additional illustrations, see Kemple, Friedlander, and Fellerath, 1995; and Riccio, Friedlander, and Freedman, 1994.

The *government budget perspective* identifies net gains and losses incurred by a combination of the federal, state, and local government budgets that fund such programs.[11] For example, the federal government funds the Food Stamp program; the federal and state governments share funding for the AFDC, MFIP, and Medicaid programs; and the state government funds the Working Family Credit (WFC) program. As shown in Box 7.1, net costs to the government budget occur through increases in transfer payments and the related administrative costs, whereas gains occur if higher taxes are paid by program (MFIP) group members compared with control (AFDC) group members.

The *taxpayers' perspective* identifies benefits and costs from the standpoint of everyone in society other than individuals in the welfare sample. (The term "taxpayer" is used for simplicity, even though members of the welfare sample can be taxpayers as well.) Financial costs to the government budget are generally represented as costs to taxpayers. In addition, however, taxpayers in Minnesota may derive nonfinancial benefits such as the satisfaction of knowing that the MFIP program has increased work and reduced poverty among low-income families. The (?) symbol under the taxpayers' perspective in Box 7.1 reflects uncertainty about whether taxpayers prefer that parents (particularly mothers) work part time or full time, given that they are employed.

The *perspective of society as a whole* combines the perspectives of two groups: the welfare sample and the taxpayers who are not in the welfare sample. For a given component in the analysis, a net gain to society occurs only when a gain to one group is not at the expense of the other group. For example, in Box 7.1, impacts on earnings represent a gain to the welfare sample but not to taxpayers — although any taxes paid on those earnings would be a gain for the government budget. Net losses to society occur when a loss to one analytical group is not a benefit to another. For example, the net costs of increased use of employment and training services represent a loss to taxpayers but are neither a gain nor a loss to the welfare sample, so they are considered a loss to society. Program effects that constitute a net gain from one perspective but a net loss from another (such as the example of increased transfer payments) have no financial consequences from the societal perspective. From that perspective, these effects represent a *transfer* from one group in society to another, rather than a gain or loss of societal resources.

Two issues should be noted in interpreting these perspectives and the program's distributional effects. First, when adopting the societal perspective, one assumes that the "value," or importance, of a dollar lost by one group is equivalent to that of a dollar gained by the other group, which is an arguable assumption. It is a matter of common sense (and supported by an extensive economic literature) that an increase in income of $1,000 will typically have a larger effect on the well-being of a family whose annual income is $5,000 than of a family whose annual income is $50,000. Moreover, in the case of MFIP, for example, elected officials explicitly chose to transfer income to low-income families who were working, via the enhanced earned income disregard and other changes in the benefit structure. Presumably, those officials were implicitly acknowledging that a dollar in the pocket is more valuable to a poor person than to the average taxpayer. This benefit-cost analysis treats each dollar the same, no matter whom in society it accrues to; but to help account for this issue, reductions in poverty are treated as separate, "nonfinancial" gains to the welfare sample, taxpayers, and society.

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[11] Estimates of net financial gains and losses from the perspective of taxpayers (not in the welfare sample) and those from the perspective of the government budget are very similar. The two perspectives differ in the treatment of Social Security and Medicare and the nonfinancial effects. The government budget gains from contributions to Social Security and Medicare payroll taxes by both welfare sample members' and their employers' contributions, whereas taxpayers (who include employers) gain only from employees' contributions to those two taxes.

Second, it is more straightforward to allocate financial benefits and costs to particular segments of society than it is to allocate nonfinancial benefits and costs. The treatment of nonfinancial effects from the perspectives of various groups is discussed later in the chapter.

C. Limitations of the Analysis

There are some limits on the comprehensiveness of the benefit-cost analysis that should also be recognized. First, some costs and benefits are difficult to measure, or they represent indirect effects of the program and so are not measured. Thus, the estimates in this chapter represent the most direct effects of the program and do not take into account the secondary effects that may result from the program. These include, for example, the possible displacement of other workers resulting from the increased employment of MFIP group members; such displaced workers may become unemployed or may accept lower-paying jobs. Similarly, although the analysis acknowledges nonfinancial benefits such as increased homeownership to the welfare sample and to taxpayers, homeownership may also bring indirect financial effects that the analysis does not account for, such as the cost to the government of providing loan subsidies for low-income families or the long-term benefits to the welfare sample of accumulating wealth through homeownership.

Second, there are some additional effects that are measurable but are difficult to value in dollars — the nonfinancial benefits and costs discussed earlier. For example, the analysis does not place dollar values on the effects of the program on poverty, employment, welfare use, or the time parents spent out of the home and the effects on family and child well-being. Instead, the tables account for these nonfinancial gains and losses by using (+), (–), and (0) symbols.

IV. Benefits and Costs for Single-Parent Long-Term Recipients in Urban Counties

A. Financial Costs in the Observation Period

This section presents estimates of the cost of MFIP per MFIP group member, during the observation period. Focusing on long-term recipients in urban counties, it shows how these costs varied across program components and support services. This information may be useful to administrators and planners who want to understand, in a comprehensive way, the nature of the government's investment in MFIP. In particular, which pieces of the program account for most of MFIP's costs?

The primary goal of the cost analysis is to estimate the government's average *net* cost of providing MFIP and MFIP-related services to members of the MFIP group. The net cost is the difference between the average cost per *MFIP group member* and the average cost per *AFDC group member,* that is, the cost of *all* MFIP and non-MFIP-related services that were used during a fixed period of time following a person's entry into the study.

Section 1 below starts with an account of the major components of the cost analysis. Then Sections 2 through 4 discuss these components and present the cost estimates for each component for the MFIP and AFDC groups. Section 5 brings all the information together for the MFIP and AFDC groups as total gross costs. The total gross cost for the AFDC group is then subtracted from the total gross cost for the MFIP group and presented as the net costs of MFIP in the observation period.

1. The Main Cost Components

Figure 7.1 illustrates the main expenditure components for both the MFIP group and the AFDC, or control, group. It shows that the gross cost of MFIP for each MFIP group member (box D) is made up of three main components: expenditures on MFIP transfer payments (including Medicaid or Minnesota Care [MinnCare][12] and child care, in box A); expenditures on operating MFIP employment and training services (box B); and expenditures by educational institutions on MFIP group members (box C).

The gross cost that would accrue to each MFIP group member in the absence of MFIP is the gross cost per AFDC group member (box H). This is also made up of three main components: expenditures on AFDC, Food Stamps, and Family General Assistance transfer payments (including Medicaid or MinnCare and child care, in box E); STRIDE operating expenditures (box F); and expenditures by educational institutions on AFDC group members (box G).

The *net cost* of MFIP, that is, the cost per MFIP group member over and above the cost per AFDC group member, is represented by box N. The net cost is obtained by subtracting the gross cost per AFDC group member from the gross cost per MFIP group member.

2. Transfer Payments and Support Services (Figure 7.1, Boxes A and E)

The first panel of Table 7.2 presents the cost of transfer payments for the MFIP and AFDC groups. For the MFIP group, welfare benefits include MFIP benefit payments; for the AFDC group, welfare benefits include payments for AFDC, Food Stamps,[13] and Family General Assistance benefits. For both groups, transfer payments also include welfare benefits and payments to Medicaid and MinnCare health care providers for services received by sample members. The second panel of the table shows the administrative costs of these payments, and the third panel shows payments for child care[14] and other support services.

The costs in Table 7.2 are estimated for the three- to four-year observation period;[15] they are expressed in 1996 dollars and discounted to the first year of follow-up.[16] During the observation

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[12] MinnCare is a subsidized health insurance program for low-income working families in Minnesota who do not have access to affordable health care coverage.

[13] As noted earlier, the MFIP program consolidated and combined AFDC, Food Stamps, and Family General Assistance into a single program. Therefore, families on MFIP received Food Stamps as part of their cash public assistance grant payment, instead of separately as coupons (as they did under the AFDC system).

[14] Child care payments were from all government funds available for programs administered by county staff.

[15] Medicaid and MinnCare payments were imputed on the basis of observed differences in earnings and welfare receipt, MFIP/AFDC group differences in Medicaid and MinnCare receipt while on and off welfare, and data on average Medicaid payments made to all enrolled individuals per month. Administrative expenditures were estimated per month of estimated Medicaid and MinnCare receipt, based on state administrative cost reports for Medicaid and MinnCare.

[16] These and other effects shown in this chapter are different from those presented in Chapter 4, because they are discounted and adjusted for inflation. In addition, instead of cutting off the follow-up period at a common point (so there are a common number of quarters of follow-up), these effects cover the full period of available data for each individual.

Figure 7.1

Simplified Diagram of the Major Components of Gross and Net MFIP Costs

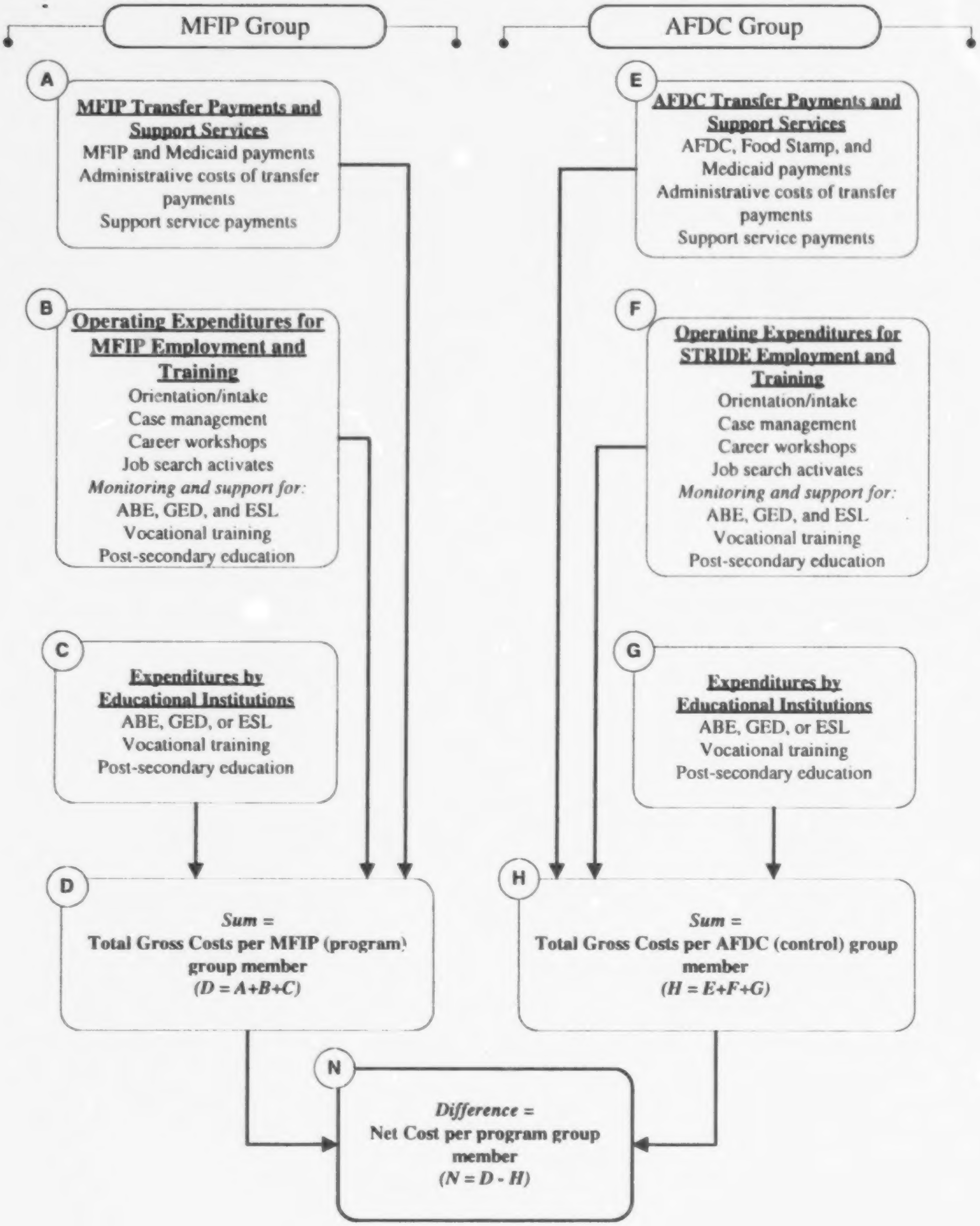
MFIP Group
AFDC Group
A
MFIP Transfer Payments and Support Services
MFIP and Medicaid payments
Administrative costs of transfer payments
Support service payments
B
Operating Expenditures for MFIP Employment and Training
Orientation/intake
Case management
Career workshops
Job search activates
Monitoring and support for:
ABE, GED, and ESL
Vocational training
Post-secondary education
C
Expenditures by Educational Institutions
ABE, GED, or ESL
Vocational training
Post-secondary education
D
Sum =
Total Gross Costs per MFIP (program) group member
(D = A+B+C)
E
AFDC Transfer Payments and Support Services
AFDC, Food Stamp, and Medicaid payments
Administrative costs of transfer payments
Support service payments
F
Operating Expenditures for STRIDE Employment and Training
Orientation/intake
Case management
Career workshops
Job search activates
Monitoring and support for:
ABE, GED, and ESL
Vocational training
Post-secondary education
G
Expenditures by Educational Institutions
ABE, GED, or ESL
Vocational training
Post-secondary education
H
Sum =
Total Gross Costs per AFDC (control) group member
(H = E+F+G)
N
Difference =
Net Cost per program group member
(N = D - H)

Table 7.2

Estimated Impacts on Transfer Payments, Administrative Costs, and Support Services During the Observation Period[a] for Single-Parent Long-Term Recipients in Urban Counties (in 1996 Dollars)

Type of Payment or Cost ($)	MFIP (A)	AFDC (B)	Impact (C = A - B)
Transfer payments			
Welfare benefits (cash assistance and/or Food Stamps)[b]	21,908	19,771	2,137
Medicaid/MinnCare[c]	16,554	15,461	1,093
Total transfer payments	38,462	35,232	3,230
Administrative costs			
Welfare administrative costs	2,760	2,185	575
Medicaid/MinnCare	1,901	1,785	116
Total administrative costs of transfer payments	4,661	3,970	691
Support services payments[d]			
Child care[e]	3,269	2,573	697
Other support services[f]	336	90	246
Total support service payments	3,605	2,662	943
Total	46,728	41,865	4,863

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) and public assistance benefit records, aggregate fiscal data, and county child care payment records.

NOTES: Estimates reflect discounting and adjustment for inflation.

Differences are regression-adjusted, controlling for pre-random assignment characteristics of sample members. Tests of statistical significance were not performed.

Rounding may cause slight discrepancies in sums and differences.

[a] Observation period for each sample member extends from random assignment to June 1998. The average follow-up for urban single-parent long-term recipients was 3.9 years.

[b] Welfare includes MFIP, AFDC, Food Stamps, and Family General Assistance.

[c] Estimated cost of reimbursing medical providers for services provided to families enrolled in Medicaid or Minnesota Care (MinnCare).

[d] Administrative costs of support service payments were not estimated.

[e] Individual child care payment data for a sample of urban, single- and two-parent families were obtained from county administrative records.

[f] The cost of "other support services" was estimated using aggregate fiscal reports and case management participation information. These costs include: client transportation and employment-related expenses, child care funded with MFIP or STRIDE case management or employment and training funds, school-related expenditures for self-initiated training, and other incidental direct client costs.

period, transfer payments (welfare benefits and Medicaid/MinnCare) cost $46,728 per member for the MFIP group and $41,865 per member for the AFDC group. For both groups, about half the cost was for welfare benefit payments, and the administrative overhead was about 10 percent of the cost of the payments. These benefits are comparable to benefits in other welfare programs, but the costs may seem large because the benefits also included Medicaid, MinnCare, Food Stamps, and Family General Assistance. The welfare administrative costs were higher for MFIP group members because, on average, they stayed on welfare longer than members of the AFDC group did.[17] Support service payments cost $3,605 per member for the MFIP group and $2,662 per member for the AFDC group; more than 90 percent of this expense was for child care payments to support sample members who worked or participated in program activities.

The *net costs* of transfer payments, that is, the costs per MFIP group member over and above the costs per AFDC group member, were $4,863 per MFIP group member for the three- to four-year observation period.[18] The net welfare administrative costs were $691, and the net costs of support service payments were $943 for the observation period.

3. MFIP and STRIDE Operating Expenditures (Figure 7.1, Boxes B and F)

MFIP and STRIDE operating costs cover expenditures for all sample members and, for this analysis, have been divided into five main program activities or functions: orientation and intake, case management, career workshops, job search activities, and monitoring and support for education and training activities. The average operating cost per MFIP group member for a specified activity was generally calculated by first estimating a unit cost (that is, the average operating cost per participant or per month of participation in the activity). This unit cost includes both staff time spent operating the activity and any associated overhead costs, such as supervision or rent. The unit cost was then multiplied by the participation rate or the average length of time (in months) that people participated in the activity, which varied depending on the research group. The following is an overview of what is included in these operating costs and a presentation of the cost estimates (see Table 7.3).

Orientation and Intake Costs. These costs include expenditures on staff time and overhead for initial orientation to MFIP or STRIDE employment services. They include time spent on one-on-one interviews or assessing the client, as well as a group orientation that typically took place in the larger counties. At these initial orientations, staff explained to MFIP group members how the MFIP financial incentives worked, and for both MFIP and STRIDE participants they explained the employment and training options and the support services and transitional benefits available. Staff also assessed each sample member individually and began developing an employment plan. The 18-month interim report[19] and Chapter 3 of this report present additional information on the services provided to sample members.

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[17] In addition, the monthly administrative costs of welfare were higher for MFIP because financial workers for MFIP had smaller caseloads than AFDC financial workers. This reflects the higher proportion of MFIP cases who were mixing work and welfare. It took more time for MFIP workers to administer such cases, which offset any reductions in staff time due to the cash-out of Food Stamp benefits.

[18] Unlike the impact results presented in prior chapters, financial estimates in this charter are not tested for statistical significance (and are often used even if they are not statistically significant). In addition, the estimates are different because of discounting, inflation adjustments, and the use of all follow-up data available for each sample member.

[19] Miller et al., 1997.

Table 7.3

Estimated Unit and Gross Costs of Providing Employment and Training Services During the Observation Period[a] (in 1996 Dollars)

	Unit Cost for all MFIP and AFDC Members		Average Cost per Single-Parent Long-Term Recipient in Urban Counties		
Component	Average per Month of Participation (A)	Average per Participant (B)	MFIP (C)	AFDC (D)	Net (E = C - D)
Expenditures by MFIP and STRIDE for employment and training services					
Orientation/intake for MFIP/AFDC[b]	n/a	108/176	85	46	39
Case management	43	n/a	686	183	503
Career workshops	n/a	74	31	16	15
Job search activities:[c]	n/a	n/a	168	48	120
Job search workshop	n/a	74	34	14	21
Individual job search	n/a	257	108	30	78
Job club	n/a	94	26	5	21
Monitoring and support for:					
ABE, GED, or ESL	14	n/a	11	8	4
Post-secondary education	14	n/a	13	11	2
Vocational training	14	n/a	9	4	5
Expenditures by educational institutions[d]					
ABE, GED, or ESL	322	n/a	285	310	-25
Post-secondary education	1,209	n/a	1,280	1,539	-259
Vocational training	1,413	n/a	1,004	601	403
Total expenditures					
By MFIP or STRIDE			1,003	316	687
By educational institutions			2,569	2,450	119
Total			3,572	2,766	806

SOURCES: MDRC calculations based on fiscal and participation data from the State of Minnesota, the 36-month survey, time study for MFIP and STRIDE case managers, and specific education institutions attended by sample members.

NOTES: Estimates are adjusted for inflation but are not discounted because no information was available about exactly when these costs were incurred.

MFIP and STRIDE unit costs are assumed to be the same, except for orientation/intake.

N/a indicates not applicable.

Rounding may cause slight discrepancies in sums and differences.

[a] Observation period for each sample member extends from random assignment through the time of the 36-month survey.

[b] The unit cost of orientation/intake for MFIP is $108 and for AFDC is $176. Orientation/intake for the AFDC group includes extra recruitment costs attributed to STRIDE because it is a voluntary program.

[c] The average cost of job search activities includes job search workshop, individual job search, and job club combined.

[d] Educational costs were not incurred by the MFIP or STRIDE programs; instead they are attributable to education institutions or financial aid programs that covered the cost of tuition. Costs were calculated using individual institution's expenditures per enrollee and rates of participation for sample members.

As shown in Table 7.3, the average cost of that initial interview per participant in the activity was $108 for the MFIP group and $176 for the AFDC group. The cost was slightly higher for AFDC group members because intake included the cost of recruiting volunteers to participate in STRIDE. The orientation and intake costs when averaged over all urban long-term recipients (participants and nonparticipants) were $85 per member for the MFIP group and $46 per member for the AFDC group.

Case Management Costs. These costs include expenditures on MFIP and STRIDE case management staff, who monitored the participation of sample members and provided them with guidance about their activities. In each county, there were separate case management staffs dedicated to MFIP and to STRIDE. Table 7.3 shows that the average case management cost per month of participation was $43. The cost per month was the same for both groups because MFIP and STRIDE staff had similar caseloads and monitored their participants with approximately the same frequency. Taking the average number of months of case management into account, the average cost was $686 per member in the MFIP group and $183 per member in the AFDC group.

Career Workshops. At career workshops, sample members spent several days discussing different types of occupations, identifying jobs that matched their interests, and learning about the local labor market and the education and training resources prior to developing an individual employment plan. The average cost per participant in a career workshop was $74, which translates into a per person cost of $31 per long-term recipient in the MFIP group and $16 per recipient in the AFDC group.

Job Search Activities. Most counties offered both MFIP and STRIDE participants three types of formal job search activities: job search workshops, job clubs, and individual job search.[20] As shown in Table 7.3, the average cost per participant in an activity was $74 for job search workshops, $257 for individual job search, and $94 for job clubs. After accounting for participation rates in all types of job search, the costs per person for all job search activities were $168 per member for the MFIP group and $48 per member for the AFDC group.

Monitoring and Support for Education and Training. These costs include the time spent by MFIP and STRIDE staff (and overhead-associated expenditures) to monitor and support the education and training activities of sample members. Such activities included classes in adult basic education (ABE), General Educational Development (GED) preparation, English as a Second Language (ESL), vocational training, and post-secondary education. Table 7.3 shows that the average cost of monitoring and supporting sample members per month of participation in any education or training activity was $14. The per person costs, after average months of participation were factored in, were $33 per member for the MFIP group and $23 per member for the AFDC group.

Total Employment and Training Service Expenditures by MFIP and STRIDE. Summing all the costs discussed above, the total average cost of providing employment and training services for urban single-parent long-term recipients was $1,003 per member in the MFIP group and $316 per member in the AFDC group.[21] These costs can be expressed per participant by dividing each cost by the rate of participation in employment and training services within each group. The participation rate in MFIP was 79 percent, and in AFDC it was 43 percent, leading to average costs of $1,270 per MFIP participant and $735 per AFDC participant. Thus, the investment per participant in MFIP employment and training services was nearly twice as large as the investment in STRIDE employment and training services for AFDC group members. This reflects the fact that, compared with the average STRIDE participant, the average MFIP participant stayed in case management longer and was more likely to participate in job search — an activity which (unlike education and training) MFIP staff operated directly and the cost of which the MFIP program bore.

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[20] See Chapter 3 for a description of the job search activities.

[21] Note that these estimates reflect expenditures only by the MFIP and STRIDE programs; additional expenditures by institutions providing education and training services to sample members are discussed in the next section.

Figure 7.2 presents the per participant costs by employment and training components, to show the relative investments that MFIP and STRIDE made in various activities. In both cases, the largest shares of the expenditures were spent on case management staff who monitored the participation of sample members and provided them with guidance about their activities.

4. Expenditures by Educational Institutions (Figure 7.1, Boxes C and G)

Interestingly, the majority of employment and training costs for participants in both MFIP and STRIDE were borne not by the two programs but by outside educational institutions. The second panel of Table 7.3 shows the estimated costs of providing education and training to sample members in various adult schools, vocational training centers, and colleges (mainly community colleges) in Minnesota. These costs were over and above the MFIP and STRIDE staff and overhead expenditures to monitor and support participation of sample members and provide them with guidance about their activities. They are costs that were borne either by the educational institutions and their funders or by financial aid programs that helped pay tuition for these low-income participants.[22] As the table shows, the average cost to educational institutions of providing education and training per sample member per month of participation was $322 for classes in ABE, GED, and ESL; $1,209 for post-secondary education; and $1,413 for vocational training. For single-parent long-term recipients in urban counties, the average cost to educational institutions was $2,569 per member of the MFIP group and $2,450 per member of the AFDC group.

5. Total Gross Costs (Figure 7.1, Boxes D and H) and Net Costs (Box N)

Table 7.4 summarizes the estimated total gross and net costs per sample member for single-parent long-term recipients in urban counties — for example, the total gross cost of MFIP transfer program support services and of employment and training services (both operating expenditures within MFIP and expenditures by educational institutions). Over the observation period, the

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[22] This analysis assumes that education and training provided by educational institutions were mainly financed not by sample members themselves but by the educational institutions and nonwelfare government agencies (if sample members received federal financial aid, for example). To the extent that sample members actually did finance their own education and training, the cost analysis overestimates the true costs to nonwelfare agencies per sample member. Although this has distributional implications, it does not overstate the total costs of the services. In a previous analysis of welfare-to-work programs, it was reported that less than 10 percent of sample members spent their own or their family's resources on education and training; see, for example, Riccio, Friedlander, and Freedman, 1994.

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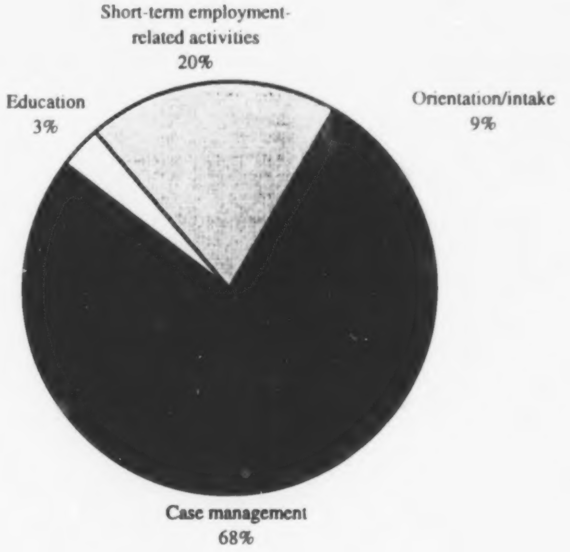
Figure 7.2

Distribution of MFIP and STRIDE Costs During the Observation Period for Employment and Training Services, per Participant

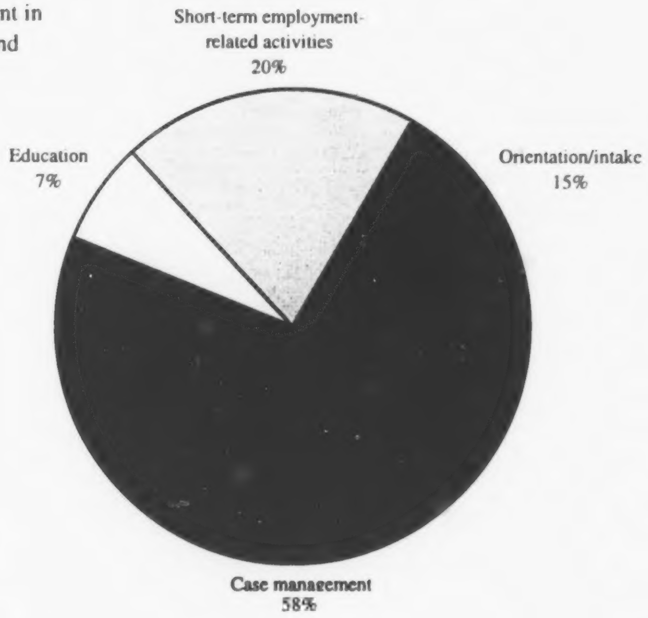
MFIP

Average cost per participant in MFIP employment and training services : $1,270[a]



STRIDE

Average cost per participant in STRIDE employment and training services: $735[b]



SOURCE: Table 7.3.

NOTES: Education includes ABE, GED, ESL, post-secondary education, and vocational training.

Short-term employment-related activites includes career workshop, individual job search, job club, and group job search.

Excludes costs to outside educational and training providers.

[a] Total average cost from Table 7.3 divided by participation rate of 79 percent.

[b] Total average costs from Table 7.3 divided by participation rate of 43 percent.

Table 7.4

Estimated Gross and Net Costs per Sample Member During the Observation Period[a] for Single-Parent Long-Term Recipients in Urban Counties (in 1996 Dollars)

Component ($)	MFIP (A)	AFDC (B)	Net Cost (C = A - B)
Cost of transfer programs			
Transfer payments (cash assistance, Food Stamps, and Medicaid/MinnCare)	38,462	35,232	3,230
Administrative costs of transfer payments	4,661	3,970	691
Total cost of transfer programs	43,123	39,202	3,921
Support service payments[b]			
Child care[c]	3,269	2,573	697
Other support services[d]	336	90	246
Total support service payments	3,605	2,662	943
Employment and training services			
Total employment and training services	3,572	2,766	806
Total costs	50,300	44,631	5,669

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) and public assistance benefit records, aggregate fiscal data, county child care payment records, and specific education institutions attended by sample members.

NOTES: Estimates reflect discounting and adjustment for inflation.Differences are regression-adjusted, controlling for pre-random assignment charactertistics of sample members. Tests of statistical significance were not performed.

Rounding may cause slight discrepancies in sums and differences.

[a] Observation period for each sample member extends from random assignment to June 1998 (for transfer programs and support services) or through the time of the 36-month survey (for employment and training services).

[b] Administrative costs of support service payments were not estimated.

[c] Individual child care payment data for a sample of urban, single- and two-parent families were obtained from county administrative records.

[d] The cost of "other support services" was estimated using aggregate fiscal reports and case management participation information. These costs include: client transportation and employment-related expenses, child care funded with MFIP or STRIDE case management or employment and training funds, school-related expenditures for self-initiated training, and other incidental direct client costs.

estimated total gross cost of MFIP per group member was $50,300, and that of AFDC was $44,631.

For both programs, more than 40 percent of the total gross cost was used to pay for welfare benefits, and about a third was used to pay for health insurance coverage for sample members. The remainder was spent on the administrative costs of making transfer payments, covering operating costs, and providing support services and employment and training services. The remainder of the total gross cost was expended by educational institutions that provided services to sample members.

The net cost of MFIP per program group member is the total gross cost per MFIP group member over and above the total gross cost per AFDC group member, represented in Figure 7.1 by box N. Over the observation period, the estimated net cost per MFIP group member was $5,669.

B. Financial Benefits and Nonfinancial Effects of MFIP in the Observation Period

This section presents estimates of the financial benefits and nonfinancial effects of MFIP per MFIP group member, during the observation period. It presents an account of MFIP's three main benefit components: earnings and fringe benefits, personal taxes and tax credits, and nonfinancial benefits. (Although transfer payments were also a benefit for sample members, they are discussed in the preceding section about program costs because they represent a cost to the government budget.) The following impact estimates are presented in dollars when they can be monetized; but when they are quantifiable nonfinancial effects, the symbols (+), (–), and (0) are used to represent gains and losses.

1. Earnings and Fringe Benefits

Chapter 4 showed that MFIP produced gains in employment and earnings for MFIP group members (compared with AFDC group members) during the three-year follow-up period of the impact analysis. The right-hand column of Table 7.5 shows that the value of the gains in earnings over the observation period was $2,346 per long-term recipient in the MFIP group.[23]

Fringe benefits were part of sample members' total compensation from working. These benefits were included in the analysis as employer-provided health and life insurance, pension contributions, and workers' compensation associated with earnings. Using published data, these were estimated at the rate of 15.4 percent of earnings.[24] As shown in Table 7.5, the average increase in earnings of $2,346 per MFIP group member plus an additional $361 in fringe benefits yielded an average increase in total work-related compensation of $2,707 per MFIP group member during the observation period.

2. Personal Taxes and Tax Credits

Because MFIP increased earnings (see the preceding section), one would expect the program also to increase federal income taxes, payroll taxes, state income taxes, and sales and excise taxes. These taxes, the federal Earned Income Credit (EIC), and the state Working Family Credit (WFC) were each imputed from the relevant earnings base, using tax rates and rules for

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[23] As was the case for welfare benefits, earnings effects presented here are somewhat different from those in Chapter 4, due to discounting, inflation adjustments, and the use of all follow-up data available for each sample member.

[24] Footnote b on Table 7.5 gives the source of the estimates used for deriving the fringe benefits rate.

Table 7.5

Estimated Impacts on Earnings and Fringe Benefits, Personal Taxes, and Tax Credits per Group Member During the Observation Period[a] for Single-Parent Long-Term Recipients in Urban Counties (in 1996 Dollars)

Component ($)	MFIP (A)	AFDC (B)	Impact (C = A - B)
Earnings and fringe benefits			
Earnings	16,650	14,304	2,346
Fringe benefits[b]	2,559	2,199	361
Total earnings and fringe benefits	19,209	16,503	2,707
Personal taxes			
Social Security payroll tax[c]	1,274	1,094	179
Federal income tax	381	454	-73
State income tax	154	183	-29
State sales and excise taxes	794	701	92
Total personal taxes	2,602	2,433	169
Tax credits			
Federal Earned Income Credit (EIC)	3,603	2,615	988
State Working Family Credit (WFC)[d]	540	392	148
Total tax credits	4,143	3,007	1,136

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) records and state and federal tax codes.

NOTES: Estimates reflect discounting and adjustment for inflation. Differences are regression-adjusted, controlling for pre-random assignment characteristics of sample members. Tests of statistical significance were not performed.

Rounding may cause slight discrepancies in sums and differences.

[a] Observation period for each sample member extends from random assignment through June 1998. The average follow-up for urban single-parent long-term recipients was 3.9 years.

[b] Fringe benefit percentage was calculated as 15.37 percent based on paid health and life insurance, pension contributions, and workers' compensation, from U.S. Department of Labor, Bureau of Labor Statistics, *Employer Costs for Employee Compensation, March 1996* (Washington, D.C.: U.S. Government Printing Office, 1996); found in Ken McDonnell, *EBRI Databook on Employee Benefits, IV* (Washington, D.C.: Employee Benefit Research Institute, 1997).

[c] Social Security payroll tax includes both employer and employee portions of tax.

[d] Minnesota's Working Family Credit (WFC) is estimated as 15 percent of the federal EIC.

1996.[25] Table 7.5 shows that total personal taxes increased by $169 per MFIP group member during the observation period. Most of the increase in total personal taxes was offset by a decrease in both federal (–$73) and state (–$29) income taxes, despite the gain in earnings. This is because many MFIP and AFDC group members owed no federal or state income taxes after the value of standard deductions and exemptions was subtracted to calculate taxable income. However, as expected, MFIP group members paid larger Social Security and Medicare payroll taxes ($179).[26] They also received larger EIC and WFC tax credits than AFDC group members — $1,136, of which 87 percent was the federal EIC.

C. The Nonfinancial Effects of MFIP

The majority of this benefit-cost analysis has focused on MFIP's financial benefits and costs that are measurable in dollars — the program's financial effects. As discussed earlier, however, important goals of the program were to reduce poverty and dependence on welfare and to improve family and child well-being in ways that are not easily measured in dollars. Volume 2 of this report[27] presents findings from a study of family and child well-being that was designed to evaluate MFIP's effects in these areas. Table 7.6 summarizes the key findings from Volume 2 — as well as some effects on family well-being that were discussed earlier in this report — for single parents who were long-term recipients in urban counties.[28]

1. Conceptual Basis for Including Nonfinancial Effects

Some aspects of the conceptual basis for including nonfinancial effects in this benefit-cost analysis merit attention before reviewing the results. First, as is clear in Table 7.6, the analysis explicitly includes poverty, employment, and welfare use as outcomes that may result in nonfinancial effects for families, even though previous tables have accounted for the effects of changes in family income, earnings, and transfer payments. For both the welfare sample and taxpayers, changes in these outcomes could have important effects that go beyond the financial impacts already presented. For example, as mentioned earlier, increases in family income are likely

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[25] Total earnings were used in computing federal income taxes. The combined income from earnings and AFDC was used in calculating sales and excise taxes. Federal income taxes were based on 1996 tax rates and exemption amounts.

Sales taxes were estimated based on the proportion of consumer expenditures on taxable goods and services in the Midwest region of the nation during 1995 through 1997. That proportion was estimated as 31.67 percent (Minnesota Department of Revenue, "Information on State and Local Sales and Use Tax, January 1997," U.S. Bureau of Labor Statistics, Consumer Expenditure Survey Tables).

The federal Earned Income Credit (EIC) is a credit against federal income taxes for taxpayers with annual earnings below a threshold level. For 1996, only taxpayers with earnings from $1 to $28,495 were eligible for the EIC. Not all eligible taxpayers receive the EIC, but because national estimates suggest very high rates of utilization, this analysis assumes that all sample members who were eligible each year received EIC payments. The state Working Family Credit was, in turn, estimated as 15 percent of the EIC.

[26] Employers pay an "employer's share" of these payroll taxes, which matches the rate paid by their employees. Therefore, the same increase in these payments by employers ($179 per MFIP group member) was estimated for the analysis (but was not included in Table 7.5). After projections, employer contributions do figure in the benefit-cost results from the perspective of taxpayers and the government budget (see Table 7.9).

[27] Gennetian and Miller, 2000.

[28] Although this report and Volume 2 present MFIP's effects on a wide range of measures of family and child well-being, for simplicity the benefit-cost analysis provides information only about measures for which at least one subgroup showed a statistically significant impact.

Table 7.6

Nonfinancial Gains and Losses to Families from MFIP During the Observation Period, for Single-Parent Long-Term Recipients in Urban Counties

			Perspective			
Nonfinancial Effect	AFDC Group (A)	Impact (B)	Welfare Sample (C)	Government Budget[a] (D)	Taxpayers (E)	Society (F)
Work, welfare, and income[b]						
Percentage with income below poverty[c]	77.7	-12.4 ***	+	n/a	+	+
Percentage working	36.9	13.4 ***	+	n/a	+	+
Welfare use						
Percentage receiving welfare	81.3	4.0 ***	-	n/a	-	-
Percentage relying solely on welfare	54.5	-12.3 ***	+	n/a	+	+
Other family outcomes						
Continuous health insurance coverage[d] (%)	61.3	7.9 **	+	n/a	+	+
Homeownership[e] (%)	0.1	0.0	0	0	0	0
Mother currently married and living with spouse[f] (%)	5.8	2.8	0	0	0	0
Time spent out of the home[g] (hours)	25	4.0 ***	-	n/a	?	-
Child environment and child well-being (measured only for families with children age 2 - 9)						
Child environment						
Domestic abuse (%)	59.6	-10.5 **	+	n/a	+	+
Home environment (total HOME scale)	75.5	0.2	0	0	0	0
Problem behavior (Behavioral Problems Index)	12.7	-1.5 *	+	n/a	+	+
Performance in school	4.0	0.2 *	+	n/a	+	+
Health (%)	77.8	-2.8	0	0	0	0

SOURCES: Tables 4.1, 4.5, and 4.7; and, from Volume 2 (Gennetian and Miller, 2000), Tables 4.6, 4.7, 4.8, and 4.9.

NOTES: The pluses and minuses on this table are based on nonfinancial gains and losses. Outcomes indicated as n/a are not measured. A more in-depth explanation of these components can be found in previous chapters of this report and in Volume 2.

[a] From the perspective of the government budget, some nonfinancial effects may bring indirect monetary impacts that are not reflected here.

[b] Averaged quarterly from random assignment through June 1998.

[c] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

[d] Percentage who had continuous health insurance coverage from random assignment through time of the 36-month survey.

[e] Percentage who owned their home at the time of the 36-month survey.

[f] Percentage married and living with spouse at the time of the 36-month survey.

[g] Measured on 36-month survey as average hours worked per week at current or most recent job.

to have more positive effects on families who live in poverty than on families who do not. Including poverty reduction as a nonfinancial benefit of the program helps account for that nonlinearity in the positive effects of family income. Similarly, when a parent on welfare becomes employed, it brings changes for the family over and above the changes in earnings that result.

Second, as discussed in Section III, it is also useful to examine program effects from the analytical perspectives of the various groups in society who are affected by the program. This was more difficult to do for nonfinancial outcomes than for financial ones, because it may be less obvious who gains and who loses from changes in particular outcomes. The first two columns in Table 7.6 show MFIP's direct effects on each outcome of interest, and the right-hand columns provide rough measures of the program's effects from different perspectives, summarizing the impacts into (+), (–), or (0), depending on how each effect would be perceived by the welfare sample, the government budget, taxpayers, and society.

From the perspective of the welfare sample, determining the direction of impacts was generally straightforward but did involve some assumptions in cases where it was not obvious whether the typical sample member would consider the effect positive or negative. For example, based on responses to MDRC's Private Opinion Survey (POS), it was assumed that long-term recipient families would place a positive value on increased employment and reduced welfare use, even though these changes also might bring some negative effects. Moreover, it was assumed that increased time spent out of the home was a cost to the welfare sample, reflecting economists' view that an hour of lost "leisure time" is the cost of each hour spent working, or a loss in hours of home production.[29]

From the perspective of taxpayers, it was assumed that the legislators who adopted the MFIP program were reflecting the goals of Minnesota's taxpayers and that, for them, reduced poverty, increased employment, and reduced sole dependence on welfare would be positive effects. Moreover, it was assumed that positive effects on family and child well-being would also bring benefits for taxpayers, whether through lower costs (reflecting reduced use of domestic violence shelters and programs targeted at poor families); through community effects, such as increased stability of neighborhoods because of increased homeownership; or through taxpayers' satisfaction that the program's goals were being met.

The effects from the perspective of society were assumed to be the sum of the effects on the welfare sample and on taxpayers.

2. Results for Nonfinancial Effects

As shown in Table 7.6, some nonfinancial outcomes were measured for the entire survey sample of single-parent long-term recipients in urban counties. Based on the 36-month client survey, the table shows effects on poverty, employment, dependence on welfare, continuous health insurance coverage, homeownership, whether or not the mother was married at the time of the survey, and time spent out of the home. The table shows that, for long-term recipients, MFIP had no effects on homeownership or marriage and that it increased the time spent out of the home. On the other hand, the program reduced measured poverty and increased employment; it also reduced the likelihood that families would rely solely on welfare and increased the likelihood that they would receive continuous health insurance coverage.

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[29] "Time spent out of the home" as used here is the same as average hours worked per week. For parents, time spent out of the home may bring benefits or costs that are not fully reflected in the impact on hours worked, but it was assumed that the main effect on the welfare sample of an increase in hours worked per week (given that employment and earnings are accounted for elsewhere) was lost time at home.

Other measures of nonfinancial effects are available only for the "child study sample," a subgroup of the 36-month survey sample who were asked additional questions about the well-being of their family and their children. The child study sample was limited to families who had at least one child age 2 to 9 at the time of random assignment. Although their results cannot be generalized to the full sample of single-parent long-term recipients (because families with children of different ages may react differently to MFIP), they do provide important evidence of MFIP's effects on at least a subset of the sample. In particular, MFIP decreased the likelihood that these mothers had experienced domestic abuse during the three years leading up to the survey. The program also reduced the occurrence of children's behavior problems as measured by the Behavioral Problems Index (BPI), and it improved children's performance in school as reported by their mothers.[30] It appears clear that MFIP did "buy" some important improvements in family and child well-being for single-parent families who were long-term recipients in urban counties, particularly for families with school-age children.

The right-hand columns in the bottom panel of Table 7.6 present a rough picture of who gains from the positive effects that MFIP brought for single-parent long-term recipient families and children. Obviously, the families themselves benefit from these nonfinancial effects, but, as discussed earlier, taxpayers benefit as well (although their benefits are not measured directly). These benefits might come to taxpayers as reduced costs or as more general civic benefits, such as the satisfaction of ensuring that parents who "play by the rules" and work to become self-sufficient will not be left in poverty. In addition, a number of economic studies have estimated the substantial long-term net gains to the economy that result from reducing child poverty.[31] Moreover, whenever both the welfare sample and taxpayers gain, society gains as well.

D. Future Effects and Five-Year Estimates of Net Present Value

So far, only the program effects that occurred during the three- to four-year observation period have been considered. However, as discussed in Section III, these program effects are likely to last beyond the observation period — an expectation that should be taken into account in the benefit-cost analysis. To account for this, the program's financial effects are projected for each sample member beyond what was actually observed, so that the measured and projected effects together cover five years from the quarter after random assignment (quarter 2). As discussed earlier, all sample members required at least one year of projected effects, and the last individuals to enter the welfare sample required two years of projection.

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[30] Interested readers should refer to Volume 2 (Gennetian and Miller, 2000) for detailed discussions of these measures and interpretation of these findings.

[31] A number of studies of poverty reduction by the U.S. Census Bureau (1983) and the Children's Defense Fund (1994) have estimated long-term gains in economic output through education, higher wages and productivity, and future lifetime earnings.

1. The Projection Methods

Projecting program effects entails calculating *base period* estimates and then making assumptions about how they will change in the future. Making assumptions about the future effects of welfare reform programs is often difficult. Earlier studies with five years of follow-up have shown that the various impacts of a program can decay at varying rates; in some cases, program effects can actually increase over time.[32] However, because the projection period is often short (as it is in this case) and because the magnitude of impacts in the base period is often low, reasonable different assumptions about decay rates typically make little difference in the projected estimates.

In this analysis, each sample member's last four quarters of follow-up were used as the base period. For each type of impact, an assumption was made about how much MFIP's effects would decay from the end of the base period through the end of the five-year period, based on the trends in impacts observed during the observation period.

For single-parent long-term recipients in urban counties, it was assumed that throughout the projection period, MFIP's impacts on welfare benefits (MFIP, AFDC, Food Stamps, and Family General Assistance payments) would continue at relatively the same levels as were observed during the base period because observed impacts on welfare benefits remained relatively stable during the second half of the observation period. This means that impacts on welfare benefits were projected to show no decay — to neither grow nor decline — throughout the projection period. For the same reason, the analysis also assumed zero decay, or no change, in the impacts on Medicaid or MinnCare benefits over time. On the other hand, observed impacts on earnings declined by about one-third each year throughout the observation period; therefore, the best estimate was that they would continue to decline in the future, and so the impacts on earnings were projected assuming a 35 percent annual rate of decay throughout the projection period.

2. The Projection Estimates and Sensitivity Analysis Results

The resulting projection estimates are presented in Table 7.7.[33] The projected impact on earnings is $435 per MFIP group member, which is about one-sixth the estimated total impact on earnings for the complete five-year period ($2,781). The projected amounts for welfare and Medicaid or MinnCare benefits represent about one-third the five-year totals. Thus, when compared with the projected gains in earnings for MFIP group members, the projected impacts on welfare and Medicaid or MinnCare benefits are larger and represent a larger part of the five-year impacts. This reflects the assumption that the impacts on earnings decay while welfare impacts do not and the fact that, even by the end of the observation period, gains in earnings (from which the projections were made) were relatively small.

Because the projections required assumptions about the rates at which impacts would decay over time, it is worth testing how sensitive the five-year estimates are to the decay rates chosen. A sensitivity analysis is presented in Table 7.8. Here, alternative decay rates involving extreme assumptions were used to estimate five-year (observed plus projected) impacts on the

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[32] For examples, see the evaluation of the National Supported Work Demonstration (Masters and Maynard, 1981); the evaluation of a WIN job search program in Louisville, Kentucky (Wolfhagen and Goldman, 1983); the evaluation of longer-term impacts of Options, a welfare employment program in Baltimore, Maryland (Friedlander, 1987); and the evaluation of longer-term impacts of the Arkansas Work program (Friedlander and Goldman, 1988).

[33] As was the case with the estimates for the observation period, projected values of all program effects have been discounted at a 5 percent real annual rate and were adjusted for inflation to be presented in 1996 dollars.

Table 7.7

Five-Year Estimate of Cost and Benefit Components During the Observation and Projection Periods[a] per MFIP Group Member for Single-Parent Long-Term Recipients in Urban Counties (in 1996 Dollars)

Component ($)	Observed Amount (A)	Projected Amount (B)	5-Year Amount Total Net Present Value (C = A + B)
Cost components			
Welfare benefits (cash assistance and/or Food Stamps)[b]	2,137	951	3,088
Medicaid/MinnCare	1,093	560	1,653
Administrative costs of transfer payments[c]	691	167	858
Support service payments[d]	943	204	1,147
Employment and training services[e]	806	0	806
Benefit components			
Earnings	2,346	435	2,781
Fringe benefits[f]	361	67	427
Social Security payroll taxes[g]	179	33	213
Federal and state income tax and sales taxes	-10	6	-5
Federal EIC and state WFC[h]	1,137	193	1,330

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) and public assistance benefit records, aggregate fiscal data, county child care payment records, and state and federal tax codes.

NOTES: Estimates reflect discounting and adjustment for inflation.

Differences are regression-adjusted, controlling for pre-random assignment characteristics of sample members.

Tests of statistical significance were not performed.

Rounding may cause slight discrepancies in sums and differences.

[a] Observation period for each sample member extends from random assignment to June 1998 (for transfer programs and support services) or through the time of the 36-month survey (for employment and training services).

[b] Welfare includes MFIP, AFDC, Food Stamps, and Family General Assistance.

[c] Transfer payments include cash assistance, Food Stamps, and Medicaid and MinnCare.

[d] Includes child care and other support service payments. Administrative costs of support service payments were not estimated.

[e] Costs of employment and training services are not projected because the cost of services for the MFIP and AFDC groups were similar by the end of the observation period.

[f] Fringe benefit percentage was calculated as 15.37 percent based on paid health and life insurance, pension contributions, and workers' compensation, from U.S. Department of Labor, Bureau of Labor Statistics, *Employer Costs for Employee Compensation, March 1996* (Washington, D.C.: U.S. Government Printing Office, 1996); found in Ken McDonnell, *EBRI Databook on Employee Benefits, IV* (Washington, D.C.: Employee Benefit Research Institute, 1997).

[g] Social Security payroll tax includes employer and employee portions.

[h] EIC is the federal Earned Income Credit, and WFC is Minnesota's Working Family Credit, which is estimated as 15 percent of the federal EIC.

Table 7.8

Estimated Five-Year Impacts During the Observation and Projection Periods on Selected Outcome Measures per MFIP Group Member, Assuming Alternative Annual Rates of Decay (in 1996 Dollars)

Component	0% Decay Rate (A)	Best-Estimate Decay Rate[a] (B)	50% Decay Rate (C)
Earnings and fringe benefits[b]	3,367	3,208	3,137
Welfare benefits (cash assistance and Food Stamps)[c]	3,088	3,088	2,733
Medicaid/MinnCare	1,653	1,653	1,445

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) and public assistance benefit records and aggregate fiscal data.

NOTES: Estimates reflect discounting and adjustment for inflation. Differences are regression-adjusted, controlling for pre-random assignment charactertistics of sample members. Tests of statistical significance were not performed.

Rounding may cause slight discrepancies in sums and differences.

[a] The best-estimate decay rate was 35 percent for earnings and fringe benefits, 0 percent for welfare, and 0 percent for Medicaid/MinnCare per year.

[b] Fringe benefit percentage was calculated as 15.37 percent based on paid health and life insurance, pension contributions, and workers' compensation, from U.S. Department of Labor, Bureau of Labor Statistics, *Employer Costs for Employee Compensation, March 1996* (Washington, D.C.: U.S. Government Printing Office, 1996); found in Ken McDonnell, *EBRI Databook on Employee Benefits, IV* (Washington, D.C.: Employee Benefit Research Institute, 1997).

[c] Welfare includes MFIP, AFDC, Food Stamps, and Family General Assistance.

following three key outcome measures: earnings and fringe benefits, welfare benefits, and Medicaid or MinnCare payments. The alternative decay rates can be considered a lower and an upper bound for the best-estimate decay rates already described. The lower bound assumed no decay, or a zero decay rate, and the upper bound assumed a 50 percent annual decay rate.

For earnings and fringe benefits, Table 7.8 shows that the more pessimistic assumption of a 50 percent annual rate of decay (instead of the best estimate of 35 percent) results in only a small decrease in the five-year estimate. This occurs mainly because in the last four quarters, or the base period from which earnings were projected, gains in earnings were small, so that changes in decay rate assumptions do not alter the projected amount very much. Similarly, the table shows that a more optimistic zero percent annual decay rate results in a five-year estimate of the impact on earnings that is only 5 percent higher than that which includes the best-estimate decay rate. For the estimates of welfare benefits and Medicaid or MinnCare, the extreme 50 percent decay rate results in small decreases in five-year impact estimates. Thus, for these long-term recipients, using different decay rate assumptions for impacts on earnings, welfare benefits, and Medicaid or MinnCare does not change the general pattern of benefit-cost findings discussed below.

3. Comparing Annual MFIP and AFDC Costs in the Five-Year Time Frame

Earlier sections of this chapter presented the total costs of MFIP and AFDC during the observation period and the projection period. This section annualizes these costs, to examine whether the yearly cost of each program per family is growing or shrinking over the five-year time horizon.

Figure 7.3 compares estimated annual averages of the main cost components over the observation period (years 1 to 3) and the projection period (years 4 and 5). The main cost components are welfare benefits, Medicaid or MinnCare costs, employment and training, and support services. Comparing the gross average cost of MFIP in years 1 to 3 with the gross average cost in years 4 and 5 clearly shows that the annual cost per person declined sharply as sample members gained employment or left welfare over time. The same pattern holds for the AFDC program over time. Moreover, the net annual cost of MFIP (accounting for these four major costs but not for taxes) also decreased over time, from $1,703 to $1,100 per year.

E. Comparing the Benefits with the Costs of MFIP in the Five-Year Time Frame

Table 7.9 summarizes the financial effects of MFIP from the perspectives of the welfare sample, the government budget, taxpayers, and society as a whole. The analysis defined program-control group differences as gains (indicated by positive values) and losses (indicated by negative values). Financial effects were then added together to produce an estimate of the overall net gain or loss — the *net present value* — of the MFIP program from each perspective. As indicated earlier, all estimates for society as a whole constitute the sum of the results from the perspectives of the welfare sample and taxpayers.[34]

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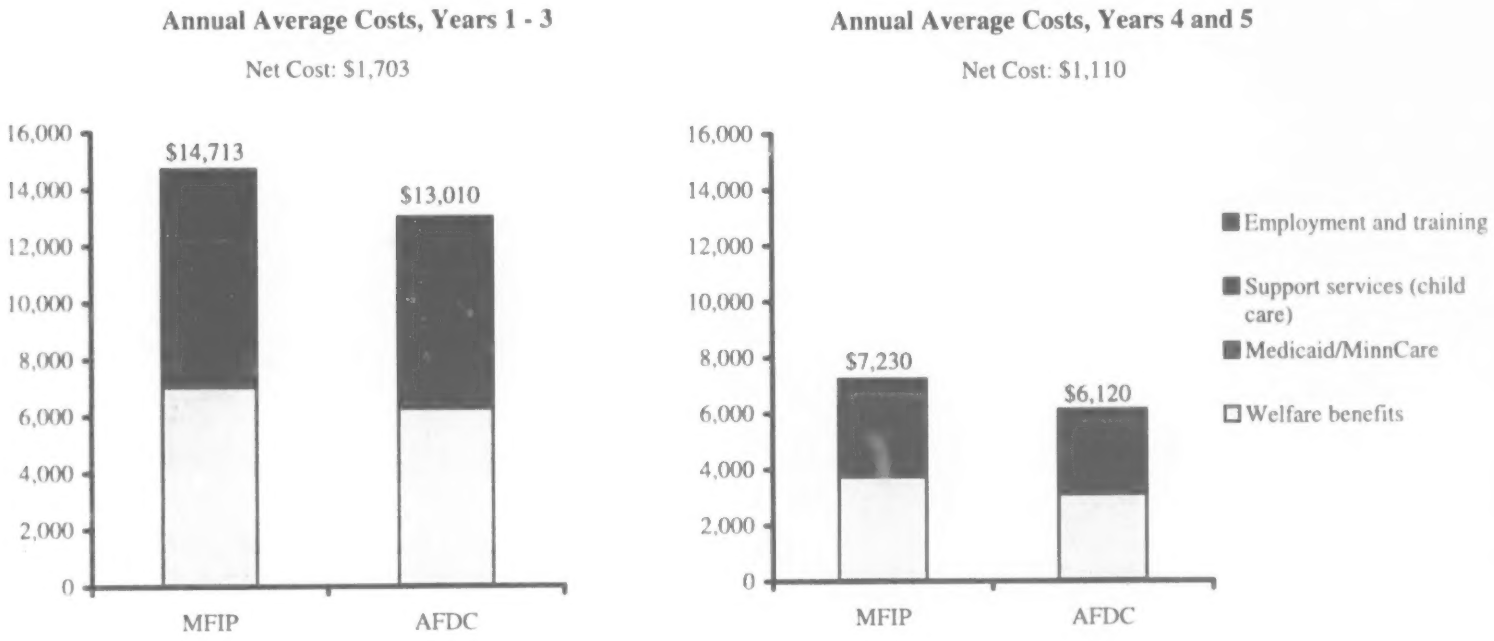
[34] All results cover a five-year period, were discounted and expressed in 1996 dollars, and assume a 35 percent annual decay rate in impacts on earnings and a zero percent decay rate for welfare and Medicaid or MinnCare benefits during the projection period.

Figure 7.3

Estimated Annual Gross and Net Costs for Five Years After Random Assignment per MFIP and AFDC Member for Single-Parent Long-Term Recipients in Urban Counties (in 1996 Dollars)



Annual Average Costs, Years 1 - 3

Net Cost: $1,703

Annual Average Costs, Years 4 and 5

Net Cost: $1,110

SOURCES: Tables 7.2 and 7.3.

NOTES: For Medicaid/MinnCare and welfare benefits, administration costs of transfer payments are included with the transfer payments.

Employment and training costs are not projected because the costs of these services for the MFIP and AFDC groups were similar by the end of the observation period.

Table 7.9

Five-Year Estimated Net Gains and Losses per MFIP Group Member for Single-Parent Long-Term Recipients in Urban Counties, by Accounting Perspective (in 1996 Dollars)

	Perspective			
Component	Welfare Sample (A)	Government Budget (B)	Taxpayers (C)	Society (D)
Financial effects				
Transfer payments				
Welfare benefits (cash assistance and/or Food Stamps)	3,088	-3,088	-3,088	0
Medicaid/MinnCare	1,653	-1,653	-1,653	0
Copay for MinnCare	5	-5	-5	0
Administrative costs of transfer payments	0	-858	-858	-858
Support service payments	1,147	-1,147	-1,147	0
Operating costs of providing employment and training services[a]	0	-806	-806	-806
Earnings and fringe benefits	3,208	0	0	3,208
Taxes				
Payroll taxes	-213	425	213	0
Income and sales taxes	5	-5	-5	0
Federal EIC and state WFC[b]	1,330	-1,330	-1,330	0
Net dollar gain or loss per MFIP group member (net present value)	10,222	-8,465	-8,678	1,545
Nonfinancial effects				
Work, welfare, and income per quarter				
Percentage with income below poverty[c]	+	n/a	+	+
Percentage working	+	n/a	+	+
Welfare use				
Percentage receiving welfare	–	n/a	–	–
Percenage relying solely on welfare	+	n/a	+	+
Other family outcomes				
Continous health insurance coverage[d]	+	n/a	+	+
Homeownership[e]	0	0	0	0
Mother currently married and living with spouse[f]	0	0	0	0
Time spent out of the home[g]	–	n/a	?	–
Child environment and child well-being[h] (measured for families with children age 2-9)	+	n/a	+	+

(continued)

Table 7.9 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) and public assistance benefit records, state and federal tax codes, aggregate fiscal data, and county child care payment records. Refer to Tables 4.1, 4.5, 4.7, and 7.6; and, in Volume 2, Tables 4.6, 4.7, 4.8, and 4.9.

NOTES: EIC is the federal Earned Income Credit, and WFC is the state Working Family Credit.

The pluses and minuses on this table are based on qualitative gains and losses from components. Outcomes indicated as n/a are not measured. A more in-depth explanation of these components can be found in previous chapters of this report and in Volume 2.

Estimates reflect discounting and adjustment for inflation.

Differences are regression-adjusted, controlling for pre-random assignment characteristics of sample members.

Tests of statistical significance were not performed.

Rounding may cause slight discrepancies in sums and differences.

[a] Costs of employment and training services are not projected because the costs of services for MFIP and AFDC groups were similar by the end of the observation period.

[b] Minnesota's WFC is estimated as 15 percent of the federal EIC.

[c] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

[d] Percentage who had continuous health insurance coverage from random assignment through time of the 36-month survey.

[e] Percentage who owned their home at the time of the 36-month survey.

[f] Percentage married and living with spouse at the time of the 36-month survey.

[g] Measured on 36-month survey as average hours worked per week in current or most recent job. Actual impact was 4 hours a week.

[h] Includes measures of domestic abuse, home environment (HOME), problem behavior (BPI), performance in school, and health.

1. Results of the Full MFIP Program, by Perspective

From the Perspective of the Welfare Sample. Column A of Table 7.9 presents the perspective of the welfare sample regarding the benefit-cost results for single-parent long-term recipients in urban counties. These results represent program-control group differences in transfer payments, support service payments, earnings and fringe benefits, taxes, and nonfinancial effects. As discussed earlier, the overall financial gain or loss from the perspective of the welfare sample was estimated by subtracting the combined value of tax increases from the value of the gains in earnings and fringe benefits, transfer payments, and support service payments. The typical MFIP family in the welfare sample experienced net financial *gains* of $10,222 over five years. These gains were mainly from substantial increases in earnings and transfer payments induced by the program. Note that this includes gains from sources other than welfare benefits and earnings — such as the value of medical benefits — and that it represents a different measure of financial gain than presented in earlier chapters as MFIP's impact on family income. There were also nonfinancial gains to the welfare sample from reductions in poverty, the increased likelihood of being employed, having continuous health insurance coverage, and improvements in family and child well-being.

From the Perspectives of Taxpayers and the Government Budget. Column C of Table 7.9 presents the benefit-cost findings from the perspective of taxpayers. On average, MFIP produced a net financial *loss,* or *cost,* to taxpayers of $8,678 per MFIP group member over the five years. Tax receipts from the increased family earnings were not enough to offset the increased taxpayer expenditures for welfare benefits, health insurance coverage, and operating costs. However, it is also assumed that MFIP brought unmeasured indirect benefits to taxpayers from welfare recipients' reduced poverty, increased employment, decreased sole dependence on welfare, and improvements in family and child well-being.

The results from the perspective of the government budget are presented in column B. These results are similar to those from the taxpayers' perspective, with two exceptions. First, the government budget is allocated both the employees' and the employers' contributions to payroll taxes, and so the net financial gain or loss to the budget exceeds the gain for taxpayers by the amount of the employees' contribution. Thus, the net financial gain from the government budget perspective was $8,465. Second, unlike taxpayers, the government budget cannot experience nonfinancial benefits from MFIP.

From the Perspective of Society as a Whole. Column D of Table 7.9 shows the gains to society, which represent the gains to the welfare sample that were not simply transfers from taxpayers (earnings, fringe benefits, and nonfinancial benefits) minus any government costs that were not transferred to the welfare sample (the costs of administering transfer payments and employment and training programs). From the sum of these effects, society gained an average of $1,545 per single-parent long-term recipient who was in the MFIP group in urban counties, plus a wide range of quite positive nonfinancial effects.

Another way to summarize MFIP's financial effects across these perspectives is to examine the ratio between government costs and the gains to families. The government spent about $8,500 over five years ($1,700 per year) more than it would have under the AFDC system. Families gained about $10,200 over five years ($2,040 per year). The reason that families gained even more than government spent is that families responded to the program by increasing their earnings, so that not all of the gain to families was from transfer programs. Thus, for these single-parent long-term recipients in urban counties, each dollar of financial gains to families cost the government only about 83 cents.[35]

2. Results for MFIP's Components

One objective of the benefit-cost analysis is to shed light on how MFIP's components — its financial incentives and its mandatory services — contributed to the results. Before reviewing the findings, it is important to emphasize that some of these estimates are subject to greater uncertainty than the results that have already been presented for urban single-parent long-term recipients. The uncertainty arises because the sample sizes on which the estimates were based are considerably smaller and because a number of simplifying assumptions had to be made in producing the estimates. One is urged, then, to focus more on the broad patterns in the findings than on the specific numerical estimates.

Columns A through D of Table 7.10 present the results for the effects of MFIP's financial incentives alone, from the four accounting perspectives. It shows that the MFIP incentives produced net financial *gains* of $7,889 to families in the welfare sample over five years. Over the five years, there were also net financial *losses* of $8,523 to taxpayers, due to low tax receipts and large increases in payments for welfare benefits, health insurance coverage, and program operating costs. Therefore, in sum, there were net losses to society of $634 per MFIP group member over the five years. These financial losses resulted partly because members of the Incentives Only group reduced their work hours,[36] leading to little or no gains in earnings, which thus could not offset the program's administrative costs. Therefore, MFIP's financial incentives alone, when compared with full MFIP, was a less efficient approach than the full MFIP program for increasing the financial well-being of single-parent long-term recipients in urban counties. Each dollar of financial gain to families cost taxpayers about $1.08. Balancing this, however, is the fact that many of MFIP's nonfinancial benefits were produced by the financial incentives portion of the program, bringing benefits to the welfare sample, taxpayers, and society.[37]

Columns E through H of Table 7.10 present the effects of the MFIP component that adds mandatory services and reinforced incentive messages. The distributional effects of this component are quite different than for the financial incentives alone: Families in the welfare sample gained $2,371, and taxpayers basically broke even, with a small financial loss of $136 to taxpayers over the five years. These sum up to produce net social *gains* of $2,235 per MFIP group member over the five years. These gains resulted partly because this MFIP component produced not just gains in earnings and fringe benefits but also savings in welfare benefits, Medicaid or MinnCare benefits, and administrative costs over the five years.

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[35] Note that the inclusion of Medicaid and MinnCare costs does not have a significant effect on this ratio of costs to benefits. Although there is not universal agreement that the value of medical services should be counted as a financial gain to families, it is included here because it was a significant cost of the MFIP program and represented a concrete benefit to families. If one reestimates the gains to families and the cost to government excluding all benefits and costs related to Medicaid and MinnCare, the government spent about 79 cents per dollar of financial gain to families.

[36] See Table 4.3.

[37] See Volume 2 (Gennetian and Miller, 2000) for more information about the separate effects of financial incentives and mandatory services on family and child well-being.

Table 7.10

Five-Year Estimated Net Gains and Losses per MFIP Group Member for Single-Parent Long-Term Recipients in Urban Counties, by Accounting Perspective (in 1996 Dollars)

	Impacts of Financial Incentives Alone				Impact of Adding Mandatory Services and Reinforced Incentive Messages			
Component	Welfare Sample (A)	Government Budget (B)	Taxpayers (C)	Society (D)	Welfare Sample (E)	Government Budget (F)	Taxpayers (G)	Society (H)
Financial effects								
Transfer payments								
Welfare benefits (cash assistance and/or Food Stamps)	4,927	-4,927	-4,927	0	-1,839	1,839	1,839	0
Medicaid/MinnCare	2,036	-2,036	-2,036	0	-383	383	383	0
Copay for MinnCare	7	-7	-7	0	-2	2	2	0
Administrative costs of transfer payments	0	-1,002	-1,002	-1,002	0	184	184	184
Support service payments	67	-67	-67	0	1,070	-1,070	-1,070	0
Operating costs of employment and training services[a]	0	332	332	332	0	-1,138	-1,138	-1,138
Earnings and fringe benefits	36	0	0	36	3,189	0	0	3,189
Taxes								
Payroll taxes	-2	0	2	0	-211	423	211	0
Income and sales taxes	130	-130	-130	0	-121	121	121	0
Federal EIC and state WFC[b]	689	-689	-689	0	669	-669	-669	0
Net dollar effect per MFIP member (net present value)	7,889	-8,525	-8,523	-634	2,371	75	-136	2,235
Nonfinancial effects								
Work, welfare, and income per quarter								
Percentage with income below poverty[c]	+	n/a	+	+	+	n/a	+	+
Percentage working	+	n/a	+	+	+	n/a	+	+
Welfare use								
Percentage receiving welfare	–	n/a	–	–	0	0	0	0
Percentage relying solely on welfare	0	0	0	0	+	n/a	+	+
Other family outcomes								
Continuous health insurance coverage[d]	+	n/a	+	+	–	n/a	–	–
Homeownership[e]	0	0	0	0	0	0	0	0
Mother currently married and living with spouse[f]	?	n/a	?	?	0	0	0	0
Time spent out of the home[g]	0	0	0	0	-	n/a	?	-
Child environment and child well-being[h] (measured for families with children age 2-9)	+	n/a	+	+	0	0	0	0

(continued)

Table 7.10 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) and public assistance benefit records, state and federal tax codes, aggregate fiscal data, and county child care payment records. Refer to Tables 4.2, 4.5, and 4.7; and, in Volume 2, Tables 4.6, 4.7, 4.8, and 4.9.

NOTES: The pluses and minuses on this table are based on nonfinancial gains and losses from components. Outcomes indicated as n/a are not measured. A more in-depth explanation of these components can be found in previous chapters of this report and in Volume 2.

Estimates reflect discounting and adjustment for inflation.

Differences are regression-adjusted, controlling for pre-random assignment characteristics of sample members.

Tests of statistical significance were not performed.

Rounding may cause slight discrepancies in sums and differences.

The estimates for the financial incentives alone are based on smaller sample sizes than the rest of the analysis and should be interpreted with caution.

[a] Costs of employment and training services are not projected because the costs of services for MFIP and AFDC groups were similar by the end of the observation period.

[b] EIC is the federal Earned Income Credit, and WFC is Minnesota's Working Family Credit, which is estimated as 15 percent of the federal EIC.

[c] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

[d] Percentage who had continuous health insurance coverage from random assignment through time of the 36-month survey.

[e] Percentage who owned their home at the time of the 36-month survey.

[f] Percentage married and living with spouse at the time of the 36-month survey. The benefit-cost tables place a different value on changes in marital status for single parents than for two-parent families. Because the empirical evidence is mixed on the long-term effects on children of entering into a stepfamily, increases in marriage for single-parent families are valued with a (?). In contrast, because there is a growing consensus that the average effect of divorce on children is negative (except in the case of high-conflict marriages), increases in marital stability for two-parent families are valued with a (+) (Cherlin, 1992; McLanahan and Sandefur, 1994).

[g] Measured on 36-month survey as average hours worked per week in current or most recent job.

[h] Summary of the full MFIP program's impacts on domestic abuse, home environment, problem behavior, performance in school, and health outcomes.

The nonfinancial effects of adding the mandatory services were generally less positive than those produced by the financial incentives component of the program. The incentives component produced nonfinancial benefits such as an increase in the likelihood that the family would have continuous health insurance coverage, a reduction in the incidence of domestic abuse, and an improvement in child outcomes. When the mandatory services component was added to the program, the likelihood of having continuous health insurance coverage decreased, and parents' time spent out of the home (a nonfinancial cost) increased.

V. Results for MFIP's Other Subgroups

A. Single-Parent Families

Table 7.11 presents the results of the benefit-cost analysis for other single-parent family groups. For long-term recipients in rural counties and for recent applicants in urban and rural counties, the results were more mixed. When compared with urban long-term recipients, these groups were more likely to have begun to work on their own, and a large proportion of recent applicants were never subject to the program's mandates. Therefore, as one would expect, MFIP produced smaller effects on employment and earnings for these other types of single-parent families. It also had few effects on child outcomes for those recent applicants who were included in the child study (see Volume 2). Nonetheless, MFIP achieved its goal of increasing the financial well-being of working families for these groups, too. The financial gains to families ranged from $6,000 to $11,500 over the five years.

For single-parent families who were recent applicants or lived in rural areas, MFIP costs were similar to those for urban long-term recipients. For these groups, the net *financial costs* of MFIP to taxpayers and the government budget ranged from about $8,000 to $12,000 over the five years (or $1,600 to $2,400 annually). In addition, the program for single-parent families who were recent applicants or lived in rural areas may be considered a less efficient approach for increasing the financial well-being of families, when compared with results for long-term recipients in urban areas, because each dollar of financial gain to families cost taxpayers from $1.14 to $1.36. However, for all single-parent families, MFIP can be considered a relatively efficient way to transfer income; using data from the Negative Income Tax (NIT) studies,[38] economists have previously estimated that transfer programs may require as much as $1.50 in spending for each $1 gained by families.

Another way to assess the program's efficiency is to relax the assumption that a dollar lost by one group is equivalent to that of a dollar gained by another group. Instead, if one assumes that taxpayers place a higher social value on a dollar gained by a member of the welfare sample, then the program would break even from a societal perspective — if the dollar gained by these welfare sample members were worth 14 to 36 cents more than a dollar is worth to taxpayers.

B. Two-Parent Families

For two-parent families, MFIP produced quite different effects than for single-parent

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[38] See Burtless, 1987.

Table 7.11

Five-Year Estimated Net Gains and Losses per MFIP Group Member for Single-Parent Sample Groups, by Accounting Perspective (in 1996 Dollars)

	Perspective			
Component	Welfare Sample (A)	Government Budget (B)	Taxpayers (C)	Society (D)
Single-parent rural long-term recipients				
Financial effects				
Transfer payments, administrative costs, and support service payments[a]	8,564	-11,552	-11,552	-2,989
Employment and training services[b]	0	-511	-511	-511
Earnings and fringe benefits	687	0	0	687
Taxes and credits	51	-5	-51	0
Net dollar effects	9,301	-12,068	-12,113	-2,812
Nonfinancial effects				
Work, welfare, and income per quarter				
Percentage with income below poverty[c]	+	n/a	+	+
Percentage working	+	n/a	+	+
Welfare use				
Percentage receiving welfare	-	n/a	-	-
Percentage relying solely on welfare	+	n/a	+	+
Other family outcomes				
Continuous health insurance coverage[d]	0	0	0	0
Homeownership[e]	0	0	0	0
Mother currently married and living with spouse[f]	0	0	0	0
Time spent out of the home[g]	0	0	0	0
Child environment and child well-being[h] (measured for families with children age 2-9)	n/a	n/a	n/a	n/a
Single-parent urban recent applicants				
Financial effects				
Transfer payments, administrative costs, and support service payments[a]	5,746	-7,594	-7,594	-1,848
Employment and training services[b]	0	-131	-131	-131
Earnings and fringe benefits	-166	0	0	-166
Taxes and credits	386	-397	-386	0
Net dollar effects	5,967	-8,122	-8,111	-2,144
Nonfinancial effects				
Work, welfare, and income per quarter				
Percentage with income below poverty[c]	+	n/a	+	+
Percentage working	+	n/a	+	+
Welfare use				
Percentage receiving welfare	-	n/a	-	-
Percentage relying solely on welfare	+	n/a	+	+
Other family outcomes				
Continuous health insurance coverage[d]	+	n/a	+	+
Homeownership[e]	0	0	0	0
Mother currently married and living with spouse[f]	0	0	0	0
Time spent out of the home[g]	-	n/a	?	-
Child environment and child well-being[h] (measured for families with children age 2-9)	0	0	0	0

(continued)

Table 7.11 (continued)

Component	Perspective Welfare Sample (A)	 Government Budget (B)	 Taxpayers (C)	 Society (D)
Single-parent rural recent applicants				
Financial effects				
Transfer payments, administrative costs, and support service payments[a]	8,732	-11,727	-11,727	-2,995
Employment and training services[b]	0	15	15	15
Earnings and fringe benefits	1,450	0	0	1,450
Taxes and credits	296	-199	-296	0
Net dollar effects	10,477	-11,912	-12,008	-1,531
Nonfinancial effects				
Work, welfare, and income per quarter				
Percentage with income below poverty[c]	+	n/a	+	+
Percentage working	+	n/a	+	+
Welfare use				
Percentage receiving welfare	-	n/a	-	-
Percentage relying solely on welfare	0	0	0	0
Other family outcomes				
Continuous health insurance coverage[d]	+	n/a	+	+
Homeownership[e]	-	n/a	-	-
Mother currently married and living with spouse[f]	0	0	0	0
Time spent out of the home[g]	0	0	0	0
Child environment and child well-being[h] (measured for families with children age 2-9)	n/a	n/a	n/a	n/a

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) and public assistance benefit records, state and federal tax codes, aggregate fiscal data, and county child care payment records. Refer to Tables 4.1, 4.11, 5.1, 5.4, 5.6, and 5.9; and, in Volume 2, Tables 5.3 and 5.5.

NOTES: The pluses and minuses on this table are based on nonfinancial gains and losses from components. Outcomes indicated as n/a are not measured. A more in-depth explanation of these components can be found in previous chapters of this report and in Volume 2.

Child care costs for sample members in rural counties were estimated by applying estimated average utilization rates and costs for families in urban counties to families in rural counties. Data from the 36-month survey suggested little rural-urban difference in utilization and per-family costs of subsidized child care services.

[a] Includes transfer payments (cash assistance, Food Stamps, and Medicaid/MinnCare); administrative costs of transfer programs; and costs of child care and other support services.

[b] Rural sample sizes are too small to estimate the average length of stay in employment and training services. Therefore the length of stay for sample members in urban counties were used to approximate those in rural counties, and the employment and training cost estimates for rural counties should be interpreted with some caution.

[c] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

[d] Percentage who had continuous health insurance coverage during the follow-up period. The actual impact for rural recent applicants is 16.1 percent.

[e] Percentage who owned their home at the time of the 36-month survey. The actual impact for rural recent applicants is -14.1 percent.

[f] Percentage married and living with spouse at the time of the 36-month survey.

[g] Measured as average hours worked per week in current or most recent job. Actual impact for urban recent applicants is 2 hours per week.

[h] Includes measures of domestic abuse, home environment (HOME), problem behavior (BPI), performance in school, and health.

families. It enabled one parent to reduce his or her work effort, but it did not reduce the likelihood that at least one parent in the family would work. It reached the goal of increasing the financial well-being of two-parent recipients families, and it produced dramatic effects on marital stability and homeownership. Table 7.12 shows that MFIP cost more for two-parent recipient families than it did for other groups. It cost the government about $19,000 per family over five years, or about $3,800 more per year per family than it would have cost for the welfare programs it replaced. Employing the "leaky bucket" test, MFIP was not as efficient at transferring income for this group as it was for the other groups. Each dollar gained by the two-parent families in the welfare sample required about $2.80 in government spending. Interestingly, this difference in the program's efficiency between single- and two-parent families parallels estimates that have been made for single- and two-parent families using the results from the NIT experiments.[39]

Two-parent applicant families, who were very likely to leave welfare completely, received the smallest financial gain. The program brought gains of only $521 per family over five years for this group. The program also increased government costs by about $12,700 per family over the five years.

VI. MFIP's Benefits and Costs: Summary and Conclusions

The goal that MFIP most consistently met was to increase the financial well-being of working families, producing financial gains for nearly all types of families. As measured in the benefit-cost analysis, the total financial gain per family ranged from about $1,200 to $2,100 per year, over five years. MFIP's financial incentives underlie these gains, which are unusual among welfare-to-work programs. Correspondingly, to produce these gains for families, MFIP spent more than the typical welfare-to-work program; depending on the research group, MFIP cost between $1,600 and $3,800 per year per family over five years. In contrast, programs that provide employment and training services without any financial incentives typically save the government money.[40]

MFIP was most efficient at producing financial gains for single-parent long-term recipients in urban counties, for whom each dollar increase for families came at a cost of only $.83 to the government. For other single-parent families, the cost of each dollar gained by families was between $1.14 and $1.36. For two-parent recipient families, each dollar gained by families cost the government about $2.80.

MFIP's effects on employment and on welfare dependence varied. Those who would have been least likely to work if MFIP had not existed and for whom MFIP provided the most intensive treatment — single-parent long-term recipients in urban counties — showed the largest employment gains, significant increases in earnings, and reductions in the likelihood of relying solely on welfare. At the other end of the spectrum, the group who had the highest levels of work in the absence of the program and for whom the program changed eligibility rules and financial incentives — two-parent families — showed no employment increases, some reduction in work effort by second wage-earners, and no reduction in the likelihood of relying solely on welfare. The discussion

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[39] See Burtless, 1994.

[40] See Gueron and Pauly, 1991, p. 168.

Table 7.12

Five-Year Estimated Net Gains and Losses per MFIP Group Member for Two-Parent Family Sample Groups, by Accounting Perspective (in 1996 Dollars)

Component	Perspective			
	Welfare Sample (A)	Government Budget (B)	Taxpayers (C)	Society (D)
Two-parent recipient families				
Financial effects				
Transfer payments, administrative costs, and support service payments[a]	13,038	17,060	17,060	4,022
Employment and training services[b]	0	598	598	598
Earnings and fringe benefits	7,194	0	0	7,194
Taxes and credits	1,011	1,488	1,011	0
Net dollar effects	6,855	19,147	18,669	11,818
Nonfinancial effects				
Work, welfare, and income per quarter				
Percentage with income below poverty	+	n/a	+	+
Percentage working	0	0	0	0
Welfare use				
Percentage receiving welfare		n/a		
Percentage relying solely on welfare	0	0	0	0
Other family outcomes				
Continuous health insurance coverage[d]	0	0	0	0
Homeownership[e]	+	n/a	+	+
Mother currently married and living with spouse[f]	+	n/a	+	+
Time spent out of the home[g]	0	0	0	0
Child environment and child well-being[h] (measured for families with children age 2-9)	n/a	n/a	n/a	n/a
Two-parent applicant families				
Financial effects				
Transfer payments, administrative costs, and support service payments[a]	6,832	9,220	9,220	2,388
Employment and training services[b]	0	381	381	381
Earnings and fringe benefits	8,884	0	0	8,884
Taxes and credits	2,572	3,162	2,572	0
Net dollar effects	521	12,762	12,173	11,653
Nonfinancial effects				
Work, welfare, and income per quarter				
Percentage with income below poverty[c]	0	0	0	0
Percentage working	0	0	0	0
Welfare use				
Percentage receiving welfare		n/a		
Percentage relying solely on welfare	0	0	0	0
Other family outcomes				
Continuous health insurance coverage[d]	n/a	n/a	n/a	n/a
Homeownership[e]	n/a	n/a	n/a	n/a
Mother currently married and living with spouse[f]	n/a	n/a	n/a	n/a
Time spent out of the home[g]	n/a	n/a	n/a	n/a
Child environment and child well-being[h] (measured for families with children age 2-9)	n/a	n/a	n/a	n/a

(continued)

Table 7.12 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) and public assistance benefit records, state and federal tax codes, aggregate fiscal data, and county child care payment records. Refer to Tables 6.1, 6.8, 6.9, 6.11; and, in Volume 2, Tables 4.7 and 4.8.

NOTES: The pluses and minuses on this table are based on nonfinancial gains and losses from components. Outcomes indicated as n/a are not measured. A more in-depth explanation from these components can be found in previous chapters of this report and in Volume 2.

Child care costs for sample members in rural counties were estimated using aggregate data from the urban counties. Data from the 36-month survey showed no rural-urban differences in utilization of subsidized child care services.

[a] Includes transfer payments and administrative costs of welfare (MFIP, AFDC, Food Stamps, and Family General Assistance) and Medicaid/MinnCare and support service costs of child care and other support services (client transportation and employment-related expenses, child care funded with either case management or employment and training funds, school-related expenditures for self-initiated training, and other incidental direct client costs).

[b] In addition to activities shown in Table 7.3, employment and training costs for two-parent families include a cost for operation and monitoring the Community Work Experience Program (CWEP). Except for costs of case management and CWEP, length of stays for two-parent recipient families were used to approximate the stays for two-parent applicant families, due to small sample sizes for applicants.

[c] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate. For recipient families, the impact is based on adjusted poverty estimates from Table 6.8.

[d] Percentage who had continuous health insurance coverage during the follow-up period. Actual impact for recipients is 6 percent.

[e] Percentage who owned their home at the time of the 36-month survey.

[f] Percentage married and living with spouse at the time of the 36-month survey. The benefit-cost tables place a different value on changes in marital status for single parents than for two-parent families. Because the empirical evidence is mixed on the long-term effects on children of entering into a stepfamily, increases in marriage for single-parent families are valued with a (?). In contrast, because there is a growing consensus that the average effect of divorce on children is negative (except in the case of high-conflict marriages), increases in marital stability for two-parent families are valued with a (+) (Cherlin, 1992; McLanahan and Sandefur, 1994).

[g] Measured as average hours worked per week in current or most recent job. For two-parent families this outcome was measured for the respondent, who was usually the mother.

[h] Includes measures of domestic abuse, home environment (HOME), problem behavior (BPI), performance in school, and health.

that follows summarizes MFIP's benefits and costs for each group of families.

For single-parent long-term recipients, the MFIP program increased employment, reduced total reliance on welfare, and reduced poverty. For single-parent families in urban counties, the program also increased earnings and produced important improvements in family and child well-being. MFIP has achieved a real breakthrough, showing that a well-designed and well-implemented combination of financial incentives and mandatory services can achieve these three goals simultaneously and can move beyond the traditional tradeoffs among work, welfare dependence, and poverty.

Moreover, for single-parent long-term recipients in urban counties, increases in employment and earnings were accompanied by increases in income that also brought improvements in the well-being of families and children. Specifically, MFIP reduced domestic abuse and improved child outcomes. To produce this sequence of effects for this group of families, the government spent about $1,700 per year ($8,500 over five years) more per family than it would have spent for the AFDC and Food Stamp programs.

For single-parent long-term recipients in rural counties, MFIP did not lead to increased earnings, and it increased government costs by more than in the urban counties. Costs per family in rural counties exceeded costs under the AFDC and Food Stamp programs by about $2,400 per year, over five years.

For single-parent recent applicant families, MFIP increased income, modestly increased work, and, in the urban counties, reduced total dependence on welfare. Single-parent recent applicants were expected to respond less dramatically to MFIP than long-term recipients, both because they were more likely to work in the absence of the program and because a large proportion of them were never subject to the program's mandates. For those recent applicants in urban counties who were included in the child study, MFIP had few effects on child outcomes, which is consistent with its limited effects on their financial outcomes. The added cost of MFIP to the government for recent applicants, relative to the AFDC and Food Stamp programs, was remarkably similar to the added cost for long-term recipients — about $1,600 per family per year in urban counties and about $2,400 per family per year in rural counties, over five years.

For two-parent families, MFIP produced gains in income among recipients, no effect on employment and welfare dependence, some reductions in earnings due to reduced work effort by second wage-earners, and dramatic improvements in marital stability. That MFIP's effects on two-parent families' employment and welfare dependence were different than its effects on single-parent families was to be expected, given that two-parent families were the group most likely to work in the absence of the program. However, the improvements in marital stability are an important effect of MFIP's changed eligibility rules for two-parent families and of its support for working families. MFIP also cost more for two-parent families than for other groups — an increase of about $3,800 per family per year over five years, compared with the cost of the AFDC and Food Stamp programs. For two-parent applicant families, who were the group most likely to leave welfare completely, the increased cost to government was $2,500 per year per family, over five years.

What is the bottom line? Did MFIP achieve its goals? The answer depends in part on the weight that is placed on the results for each type of family included in the evaluation. It seems appropriate to place substantial weight on the positive results for long-term recipients, the group of families who have been of greatest concern to policymakers in Minnesota and elsewhere, and toward whom the most intensive MFIP services were therefore targeted.[41] For other types of families, who represent a much smaller portion of the caseload at any given time and who are less likely to be primarily dependent on welfare, the judgment that Minnesotans make about MFIP's success depends on how much they value the increased financial well-being of families and the important nonfinancial benefits that the program produced.

Importantly, Minnesota's public officials have not declared welfare reform a finished task but instead have continued to revise the MFIP program in response to earlier research results and their experience in operating the MFIP field trials. In moving to a statewide program (MFIP-S) in 1998, Minnesota's officials adjusted the program with changes aimed at reducing costs and increasing the likelihood that MFIP-S would increase employment among new applicants. The hope is that this final evaluation report on the MFIP field trials will provide Minnesotans with information they need to continue weighing the program's benefits and costs against their expectations about what welfare reform should achieve in their state.

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[41] The relative importance of urban long-term recipients is even greater today than when the program began in 1994, because the caseload in Minnesota and many other states has become increasingly concentrated with long-term urban recipients. These families represent nearly two-thirds of the total caseload in counties that make up the Twin Cities metropolitan area (Kvamme, 2000).

Appendix A

Evaluation of STRIDE in Hennepin County

The evaluation design for the Minnesota Family Investment Program (MFIP) included a fourth research group whose members received Aid to Families with Dependent Children (AFDC) but were not eligible to volunteer for STRIDE services. This aspect of the design allowed for an evaluation of Minnesota's voluntary Job Opportunities and Basic Skills Training (JOBS) program, which is STRIDE. This appendix presents findings on the effects for single parents of the STRIDE program that operated in Hennepin County, which includes Minneapolis. It presents STRIDE's impacts on participation in employment and training activities and its impacts on employment, earnings, and welfare receipt.

I. A Description of STRIDE

Minnesota's STRIDE program provided employment, training, and educational services to welfare recipients. If assigned to the AFDC system, nonexempt, single-parent applicants received an orientation to STRIDE.[1] After the orientation, those in a STRIDE "target group" were eligible to volunteer for STRIDE services. Included in the target group were the following individuals: single parents who had received welfare for 36 of the past 60 months, custodial parents under age 24 who either lacked a high school diploma or had limited work experience, and parents who were within two years of losing eligibility for aid because their youngest child was age 16 or older.

As was the case with MFIP services, the first step for a STRIDE participant was to develop a plan for self-sufficiency, or for eventually securing employment. STRIDE differed from MFIP, however, in that most volunteers entered the program to gain further education. Thus, STRIDE provided a more long-term approach to leaving welfare. However, as discussed in Chapter 1 of this report, STRIDE was changed in mid-1995 to make it more employment-focused.

Evaluating the effectiveness of STRIDE services involves comparing outcomes for the AFDC group with those for the AFDC/No Services group. The latter group was created as part of the evaluation design in Hennepin County. Upon applying or reapplying for AFDC, single parents assigned to this group were not given information about the STRIDE program, but they were given information about other services available in the community. The extent to which clients were encouraged to take advantage of outside services depended in part on their individual case manager. Field research suggested that Hennepin County has a fairly large number of organizations providing employment and training services.

If a recipient in the No Services group was already receiving STRIDE services at the time of random assignment, she was allowed to complete her current STRIDE component but not allowed to begin a new component. Data from the Baseline Information Form (BIF) indicate that among single parents who were participating in an activity at random assignment, 21 percent were participating as part of a STRIDE plan.

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[1] Examples of exemption criteria include providing care for a child under age 3 and working at least 30 hours per week.

II. Participation in Employment and Training Activities

Although many services were available in the community, the availability of STRIDE services may have increased single-parent recipients' participation in education and training services. Tables A.1 and A.2 present estimates of long-term recipients' and recent applicants' participation in employment and training activities during the 36 months after random assignment. Because the sample sizes are relatively small, the impacts were estimated using the full samples, rather than only those within each group who were eligible to volunteer for STRIDE — the target groups. Table 2.2 of the report shows that, at random assignment, 84 percent of long-term recipients and 32 percent of recent applicants were eligible to volunteer for STRIDE.

Table A.1 shows that, in Hennepin County, the ability to volunteer for STRIDE services did not increase single-parent long-term recipients' overall participation rates, either in employment-related or education-related activities, but it did affect the types of activities in which they participated. Compared with members of the AFDC/No Services group, recipients in the AFDC group were more likely to participate in basic education and less likely to participate in post-secondary education. They were also somewhat more likely to participate in vocational training, although this difference is not statistically significant. Thus, although STRIDE did not affect overall participation rates, it appears to have steered some recipients into different activities (basic education) than they would have chosen if they had sought out services on their own.

For single-parent recent applicants in Hennepin County, STRIDE had similar effects. Members of the AFDC group were somewhat less likely than members of the AFDC/No Services group to participate in any education and training activity, although the impact of 7.6 percentage points is not statistically significant. The impacts that appear to have driven this overall impact are a reduction in post-secondary education (although not statistically significant) and a reduction in vocational training (6.4 percentage points). The impacts on education and training were matched by a similar-size increase in rates of participation in employment-related activities, although this impact of 5.7 percentage points is not statistically significant. Thus, although not many of the impacts are statistically significant, STRIDE appears to have caused some individuals who would have participated in education-focused activities to instead participate in employment-related activities.

III. Effects on Employment, Earnings, and Welfare Receipt

This section presents impacts of STRIDE on single parents' employment, earnings, and welfare receipt in Hennepin County. Table A.3 presents impacts for long-term recipients, and Table A.4 presents impacts for recent applicants. The impacts are estimated only for those within each group who were eligible to volunteer for STRIDE, or those in the target groups.

Compared with the AFDC/No Services group, the availability of STRIDE services reduced employment and earnings among long-term recipients in the AFDC group, at least during the early quarters of follow-up (Table A.3). Employment rates increased gradually for the AFDC/No Services group, from 28.7 percent in quarter 1 to 46.7 in quarter 10. However, employment rates increased less rapidly for the AFDC group, for a reduction in employment in sev-

Table A.1

Impacts of STRIDE on Participation in Employment and Training Activities and Educational Attainment for Single-Parent Long-Term Recipients in Hennepin County

Outcome (%)	AFDC	AFDC/ No Services	Impact (Difference)
Employment and training activities			
Ever participated in any employment or training activity	60.2	61.1	-0.9
Short-term employment-related activities	36.9	35.6	1.4
Career workshop	22.4	21.9	0.5
Group job search	22.0	23.2	-1.2
Individual job search	11.9	9.9	2.0
Any education and training activity	46.5	47.7	-1.2
Basic education	23.4	16.8	6.5 *
Post-secondary education	21.3	28.8	-7.4 *
Vocational training	13.3	8.2	5.1
On-the-job training/work experience	3.8	4.3	-0.5
Sample size (total = 417)	279	138	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

Table A.2

Impacts of STRIDE on Participation in Employment and Training Activities and Educational Attainment for Single-Parent Recent Applicants in Hennepin County

Outcome (%)	AFDC	AFDC/ No Services	Impact (Difference)
Employment and training activities			
Ever participated in any employment or training activity	60.1	59.8	0.3
Short-term employment-related activities	29.6	23.9	5.7
Career workshop	13.9	16.6	-2.7
Group job search	15.5	15.7	-0.2
Individual job search	11.7	7.0	4.6
Any education and training activity	44.8	52.4	-7.6
Basic education	15.8	18.4	-2.6
Post-secondary education	24.7	30.5	-5.8
Vocational training	9.7	16.1	-6.4 *
On-the-job training/work experience	0.9	2.1	-1.2
Sample size (total = 412)	325	87	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

Table A.3

Impacts of STRIDE on Employment, Earnings, and Welfare Receipt for Single-Parent Long-Term Recipients in Hennepin County

Outcome	AFDC	AFDC/ No Services	Impact (Difference)
Employment (%)			
Quarter 1	27.5	28.7	-1.2
Quarter 2	30.0	35.6	-5.6 **
Quarter 3	33.7	36.2	-2.5
Quarter 4	30.0	36.3	-6.3 ***
Quarter 5	31.3	39.3	-7.9 ***
Quarter 6	34.4	39.2	-4.8 *
Quarter 7	35.6	38.8	-3.2
Quarter 8	39.5	41.5	-2.0
Quarter 9	40.5	41.0	-0.5
Quarter 10	41.6	46.7	-5.2 *
Earnings ($)			
Quarter 1	305	319	-15
Quarter 2	340	483	-143 ***
Quarter 3	463	583	-120 **
Quarter 4	507	713	-206 ***
Quarter 5	577	752	-175 **
Quarter 6	641	813	-172 **
Quarter 7	746	911	-165 *
Quarter 8	827	957	-130
Quarter 9	997	1,026	-29
Quarter 10	1,109	1,251	-142
Welfare receipt (%)			
Quarter 1	97.4	97.4	0.0
Quarter 2	97.0	96.4	0.6
Quarter 3	93.0	90.6	2.4
Quarter 4	89.4	86.5	2.8
Quarter 5	85.9	85.0	0.9
Quarter 6	81.0	81.5	-0.5
Quarter 7	79.5	79.9	-0.4
Quarter 8	76.0	77.5	-1.5
Quarter 9	74.5	74.1	0.4
Quarter 10	68.8	70.7	-1.8
Welfare benefits ($)			
Quarter 1	1,922	1,940	-18
Quarter 2	2,002	1,980	22
Quarter 3	1,901	1,829	72 *
Quarter 4	1,830	1,761	69
Quarter 5	1,709	1,671	38
Quarter 6	1,641	1,619	22
Quarter 7	1,587	1,578	9
Quarter 8	1,537	1,502	34
Quarter 9	1,447	1,446	1
Quarter 10	1,383	1,367	16
Sample size (total = 1,277)	635	642	

(continued)

Table A.3 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Table A.4

Impacts of STRIDE on Employment, Earnings, and Welfare Receipt for Single-Parent Recent Applicants in Hennepin County

Outcome	AFDC	AFDC/ No Services	Impact (Difference)
Employment (%)			
Quarter 1	51.0	46.7	4.3
Quarter 2	41.7	36.3	5.4
Quarter 3	44.7	34.4	10.2 ***
Quarter 4	42.5	38.3	4.2
Quarter 5	45.8	40.8	5.0
Quarter 6	47.4	40.7	6.7 *
Quarter 7	48.6	38.7	9.9 **
Quarter 8	48.6	42.1	6.5 *
Quarter 9	51.7	45.2	6.5 *
Quarter 10	52.3	47.8	4.5
Earnings ($)			
Quarter 1	607	565	42
Quarter 2	574	512	62
Quarter 3	758	606	152
Quarter 4	841	664	178 *
Quarter 5	939	791	148
Quarter 6	1,013	850	163
Quarter 7	1,151	966	185
Quarter 8	1,160	1,047	113
Quarter 9	1,325	1,152	173
Quarter 10	1,510	1,188	323 **
Welfare receipt (%)			
Quarter 1	80.4	85.3	-4.9 *
Quarter 2	83.1	87.6	-4.5
Quarter 3	77.4	82.9	-5.5 *
Quarter 4	72.0	78.2	-6.2 *
Quarter 5	65.9	71.8	-5.8
Quarter 6	61.9	65.6	-3.7
Quarter 7	58.3	63.1	-4.8
Quarter 8	56.9	63.2	-6.3 *
Quarter 9	54.3	60.1	-5.8
Quarter 10	49.9	59.0	-9.1 **
Welfare benefits ($)			
Quarter 1	774	825	-52
Quarter 2	1,278	1,366	-88
Quarter 3	1,234	1,407	-173 ***
Quarter 4	1,127	1,347	-220 ***
Quarter 5	1,045	1,209	-164 **
Quarter 6	996	1,126	-130 *
Quarter 7	959	1,102	-143 **
Quarter 8	932	1,089	-156 **
Quarter 9	920	978	-59
Quarter 10	844	991	-147 **
Sample size (total = 784)	488	296	

(continued)

Table A.4 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

eral early quarters. The impacts on earnings follow a similar pattern. STRIDE services had no effects on welfare receipt, as shown in the lower half of the table.

Table A.4 presents STRIDE's impacts for single-parent recent applicants in Hennepin County. The majority of these individuals eligible to volunteer for STRIDE were young parents with little education or work experience and parents whose youngest child was within two years of age 18. Employment rates for both groups fell after quarter 1, although the decrease was somewhat less dramatic for the AFDC group. Recent applicants in the AFDC group had higher employment rates than those in the AFDC/No Services group in several later quarters; in quarter 7, for example, 48.6 percent of them worked, compared with 38.7 percent of the AFDC/No Services group. Average earnings were also higher for the AFDC group throughout the period, although only two of these impacts are statistically significant. Consistent with STRIDE's impacts on employment and earnings for recent applicants, single parents in the AFDC group were less likely than those in the AFDC/No Services group to receive welfare in several quarters of follow-up, and, on average, they received fewer benefits.

IV. Conclusion

In Hennepin County, the ability to volunteer for STRIDE services generally increased employment among recent applicants and reduced it among long-term recipients. The impacts on participation suggest that these effects may reflect differences in the types of activities in which single parents participated. For long-term recipients, STRIDE increased the number participating in basic education. For recent applicants, it increased participation in employment-related activities but reduced participation in education-related activities. It should be noted, however, that many of these impacts are not statistically significant. In addition, the effects of STRIDE may be underestimated, given that single parents in the AFDC/No Services group had access to a wide range of services in Hennepin County.

Appendix B

Participants' Knowledge of Programs and Perception of Benefit Time Limit

Table B.1

Knowledge of MFIP and AFDC Programs and Perception of Benefit Time Limit Reported by Single-Parent Long-Term Recipients, in All Counties

Outcome	MFIP	AFDC	Impact (Difference)
Knowledge of program requirements			
Would sample member be required to look for work or get help looking for work?			
Yes	83.4	71.0	12.4 ***
No	13.0	26.8	-13.8 ***
Don't know	3.6	2.1	1.4
Would sample member have to go to work, school, or training in order to continued receiving income assistance?			
Yes	78.2	68.5	9.7 ***
No	15.5	26.4	-10.9 ***
Don't know	6.2	5.1	1.2
Knowledge of work incentives			
If sample member left welfare for work, could she receive medical benefits and child care for one year?			
Yes	84.8	74.4	10.4 ***
No	6.5	12.0	-5.5 ***
Don't know	8.7	13.6	-4.9 **
If sample member had a full-time job, would the she lose all of her income assistance benefits?			
Yes	37.7	59.8	-22.1 ***
No	54.2	31.9	22.3 ***
Don't know	8.1	8.3	-0.2
Perception of benefit time limit			
Is there a time limit on how long you can receive income assistance benefits?			
Yes	76.4	72.6	3.8
No	12.2	18.7	-6.5 ***
Don't know	11.4	8.6	2.8
Is there a time limit on how long you can receive Food Stamps?			
Yes	50.7	57.8	-7.1 **
No	22.8	27.1	-4.3
Don't know	26.4	15.1	11.4 ***
Sample size (total = 976)	488	488	

SOURCE: MDRC calculations using data from the 36-month survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a]A higher fraction of the caseload in the rural counties than the urban counties was randomly assigned into the evaluation, meaning that the rural counties are over represented in the full evaluation sample. To account for this when estimating impacts for urban and rural counties combined, long-term recipients in rural counties were weighted down by a factor of .56, and recent applicants in rural counties were weighted down by a factor of .66 .

Table B.2

Knowledge of MFIP and AFDC Programs and Perception of Benefit Time Limit Reported by Single-Parent Recent Applicants, in All Counties

Outcome	MFIP	AFDC	Impact (Difference)
Knowledge of program requirements			
Would sample member be required to look for work or get help looking for work?			
Yes	81.0	75.3	5.7 **
No	13.4	18.8	-5.4 ***
Don't know	5.5	5.7	-0.2
Would sample member have to go to work, school, or training in order to continued receiving income assistance?			
Yes	73.5	66.3	7.2 ***
No	16.7	22.8	-6.1 ***
Don't know	9.8	11.0	-1.2
Knowledge of work incentives			
If sample member left welfare for work, could she receive medical benefits and child care for one year?			
Yes	79.8	69.1	10.8 ***
No	10.4	13.8	-3.5 *
Don't know	9.8	17.1	-7.3 ***
If sample member had a full-time job, would she lose all of her income assistance benefits?			
Yes	46.4	60.9	-14.5 ***
No	41.8	27.6	14.2 ***
Don't know	11.8	11.5	0.2
Perception of benefit time limit			
Is there a time limit on how long you can receive income assistance benefits?			
Yes	69.0	64.0	5.0 *
No	16.2	19.1	-2.9
Don't know	14.8	16.7	-1.9
Is there a time limit on how long you can receive Food Stamps?			
Yes	49.7	47.0	2.7
No	24.7	28.3	-3.6
Don't know	25.6	24.6	1.0
Sample size (total = 1,278)	665	613	

SOURCE: MDRC calculations using data from the 36-month survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] A higher fraction of the caseload in the rural counties than the urban counties was randomly assigned into the evaluation, meaning that the rural counties are over represented in the full evaluation sample. To account for this when estimating impacts for urban and rural counties combined, long-term recipients in rural counties were weighted down by a factor of .56, and recent applicants in rural counties were weighted down by a factor of .66.

Appendix C

Evaluation of the Food Stamps Only Group

This appendix presents the effects of the Minnesota Family Investment Program (MFIP) on samples of single- and two-parent families in the rural counties who were receiving or applying only for Food Stamps when they entered the evaluation. Results are presented for recipients only, given the small size of the applicant samples.

I. Effects for Single-Parent Families

Table C.1 presents impacts for the Food Stamps Only group of single-parent recipients in rural counties. Families who were applying or reapplying only for Food Stamps were randomly assigned to either the MFIP group (subject to the rules of MFIP) or the control group (subject to the rules of the Food Stamp system). Although the families were only applying for or receiving Food Stamps at the time of random assignment, some of those in the control group may have received AFDC at some point after that. Impacts are calculated as the difference in outcomes between the MFIP group and the control group. Employment rates were fairly high for this sample, relative to long-term recipients in rural counties (shown in Chapter 4). MFIP produced no significant effects on employment or earnings during the follow-up period. Employment and earnings tended to be lower for the MFIP group, relative to the group receiving Food Stamps, although none of these impacts is statistically significant. Note that a given impact is less likely to be statistically significant when the samples are small.

Single parents in the MFIP group were significantly more likely than those in the control group to receive welfare throughout the follow-up period (recall that some portion of the MFIP grant represented the cash-out of Food Stamp benefits). Parents in the control group left welfare more rapidly than MFIP parents, so that, by quarter 10, 51.6 percent of the MFIP group received benefits, compared with 37.5 percent of the control group, for a statistically significant impact of 14.1 percentage points.[1] This is not an unexpected result, because MFIP allowed families to earn more and still qualify for some benefits. Average payments were also higher in each quarter for the MFIP group. By quarter 10, MFIP families received an average of $671 in payments, compared with $315 for control group families.

The significant increase in welfare benefits, in turn, increased income and reduced poverty during the follow-up period. During the first year of follow-up, for example, MFIP families had, on average, a quarterly income that was $514 higher than their control group counterparts, and they were much less likely to have income below the poverty line.

II. Effects for Two-Parent Families

Table C.2 presents impacts for the Food Stamps Only group of two-parent families in rural counties. As shown in the report, MFIP, when compared with AFDC, tended to reduce family earnings for two-parent families. The results shown here are somewhat consistent with that story, but only for the early quarters. MFIP families had lower combined earnings than control group families in the first several quarters of follow-up, although only one of these impacts is statistically significant. In addition, most of the reduction in earnings reflects reduced employment and

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[1] During most of the follow-up months, over 70 percent of the control group families who received welfare were receiving Food Stamps only.

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Table C.1

Quarterly Impacts on Employment, Earnings, Welfare Receipt, and Income for the Food Stamps Only Group of Single-Parent Recipients in Rural Counties

Outcome	MFIP	Control	Impact (Difference)
Employment (%)			
Quarter 1	66.4	65.9	0.5
Quarter 2	68.2	68.2	0.1
Quarter 3	66.3	70.8	-4.5
Quarter 4	65.5	68.3	-2.8
Quarter 5	63.4	66.3	-2.9
Quarter 6	60.6	68.9	-8.3
Quarter 7	60.2	68.4	-8.3
Quarter 8	65.4	70.0	-4.7
Quarter 9	63.5	71.0	-7.5
Quarter 10	63.9	66.6	-2.7
Earnings ($)			
Quarter 1	1,572	1,601	-29
Quarter 2	1,521	1,624	-103
Quarter 3	1,590	1,821	-232
Quarter 4	1,685	1,713	-28
Quarter 5	1,664	1,734	-70
Quarter 6	1,708	1,902	-195
Quarter 7	1,803	1,898	-95
Quarter 8	1,749	2,024	-274
Quarter 9	2,084	2,047	37
Quarter 10	1,904	2,077	-172
Welfare receipt (%)			
Quarter 1	87.1	89.4	-2.3
Quarter 2	88.1	79.5	8.7 *
Quarter 3	80.6	67.9	12.7 **
Quarter 4	74.4	57.5	16.8 ***
Quarter 5	71.0	52.6	18.4 ***
Quarter 6	65.5	44.7	20.8 ***
Quarter 7	59.6	38.9	20.6 ***
Quarter 8	57.5	41.7	15.8 **
Quarter 9	53.1	43.5	9.6
Quarter 10	51.6	37.5	14.1 **
Welfare benefits ($)			
Quarter 1	744	528	216 ***
Quarter 2	1,216	537	679 ***
Quarter 3	1,092	514	578 ***
Quarter 4	1,098	457	641 ***
Quarter 5	998	406	592 ***
Quarter 6	846	379	467 ***
Quarter 7	823	350	473 ***
Quarter 8	773	329	445 ***
Quarter 9	659	326	333 ***
Quarter 10	671	315	356 ***

(continued)

Table C.1 (continued)

Outcome	MFIP	Control	Impact (Difference)
Income and poverty[a]			
Average quarterly income from welfare and earnings ($)			
Year 1	2,716	2,202	514 ***
Year 2	2,611	2,314	298
Measured poverty in year 1 (%)	53.3	76.6	-23.3 ***
Measured poverty in year 2 (%)	57.5	72.6	-15.0 **
Sample size (total = 239)	116	123	

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, who were receiving only Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

[a] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

Table C.2

Quarterly Impacts on Employment, Earnings, Welfare Receipt, and Income for the Food Stamps Only Group of Two-Parent Recipients in Rural Counties

	Women			Men			Families		
Outcome	MFIP	Control	Impact (Difference)	MFIP	Control	Impact (Difference)	MFIP	Control	Impact (Difference)
Employment (%)									
Quarter 1	45.1	42.7	2.4	53.2	55.8	-2.6	75.3	73.4	1.9
Quarter 2	45.6	42.2	3.4	52.8	53.9	-1.2	75.4	74.1	1.3
Quarter 3	48.1	41.4	6.7	48.1	57.6	-9.5 *	73.1	75.4	-2.3
Quarter 4	47.5	45.1	2.4	52.2	61.4	-9.3 *	73.9	77.7	-3.8
Quarter 5	43.6	47.2	-3.6	53.0	55.3	-2.3	70.3	75.8	-5.6
Quarter 6	47.3	46.8	0.5	51.4	56.0	-4.6	70.3	76.6	-6.2
Quarter 7	53.6	47.0	6.6	52.9	56.1	-3.2	75.9	75.9	0.1
Quarter 8	52.0	48.5	3.6	50.5	59.1	-8.7 *	72.6	79.0	-6.5
Quarter 9	53.3	45.7	7.5	51.3	56.1	-4.7	74.0	75.4	-1.5
Quarter 10	55.0	51.0	4.0	50.5	52.2	-1.7	76.0	75.8	0.2
Earnings ($)									
Quarter 1	967	921	46	1,861	1,857	4	2,828	2,778	50
Quarter 2	1,124	946	178	1,818	2,109	-290	2,943	3,055	-112
Quarter 3	1,067	995	72	1,849	2,464	-615 **	2,916	3,459	-542 *
Quarter 4	1,154	1,064	90	2,186	2,473	-287	3,340	3,537	-197
Quarter 5	1,167	1,068	98	2,003	2,299	-296	3,170	3,367	-198
Quarter 6	1,271	1,018	253	2,118	2,401	-283	3,389	3,419	-30
Quarter 7	1,421	1,083	338 *	2,360	2,610	-250	3,781	3,693	88
Quarter 8	1,459	1,036	423 **	2,297	2,797	-499 *	3,756	3,832	-76
Quarter 9	1,547	1,187	360 *	2,232	2,451	-220	3,779	3,638	141
Quarter 10	1,508	1,215	294	2,480	2,455	25	3,988	3,669	319
Welfare receipt (%)									
Quarter 1							88.5	88.6	-0.2
Quarter 2							85.2	80.2	5.0
Quarter 3							78.6	67.9	10.7 **
Quarter 4							72.3	63.1	9.2
Quarter 5							68.4	52.2	16.2 **
Quarter 6							62.1	46.7	15.4 **
Quarter 7							60.7	41.1	19.6 ***
Quarter 8							51.9	37.0	14.9 **
Quarter 9							51.4	37.5	13.9 **
Quarter 10							51.3	34.5	16.8 **

(continued)

Table C.2 (continued)

	Women			Men			Families		
Outcome	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)
Welfare benefit ($)									
Quarter 1							752	611	141 **
Quarter 2							1,155	654	501 ***
Quarter 3							1,142	583	559 ***
Quarter 4							1,034	506	528 ***
Quarter 5							965	473	491 ***
Quarter 6							888	461	427 ***
Quarter 7							827	412	416 ***
Quarter 8							774	363	411 ***
Quarter 9							788	349	439 ***
Quarter 10							701	353	348 ***
Income and poverty[a]									
Average quarterly income from welfare and earnings ($)									
Year 1							4,166	3,909	258
Year 2							4,496	4,042	454
Measured poverty in year 1 (%)							50.3	54.7	-4.4
Measured poverty in year 2 (%)							49.7	55.3	-5.5
Sample size (total = 253)							123	130	

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, who were only receiving Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

[a] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

earnings among the men in these families. In quarter 3, for example, 57.6 percent of men in control group families worked, compared with 48.1 percent of men in MFIP families. The MFIP women, in contrast, had higher earnings than their control group counterparts during the later quarters of follow-up.

Two-parent families in MFIP were more likely than control group families to receive welfare during the follow-up period; 51.3 percent of the MFIP group received benefits in quarter 10, compared with 34.5 percent of control group families. They also had higher incomes than control group families, although the impacts are not significant at conventional levels. The average quarterly income increase of $454 in year 2, for example, is significant at the 11 percent level.

III. Conclusion

Among families in rural counties who entered the study while they were receiving Food Stamps only, MFIP significantly increased welfare benefits and, for single-parent families, reduced measured poverty. MFIP did not have many significant effects on earnings or employment, although both tended to be lower for the MFIP group, suggesting that single parents may have reduced their hours of work in response to MFIP's more generous benefits. A reduction in hours worked may also explain the lower combined earnings for two-parent families, although these effects were observed only during the early quarters of follow-up.

Appendix D

Data Issues and Survey Response Analysis

This appendix assesses the inferential integrity of the evaluation of the Minnesota Family Investment Program (MFIP) at two levels. First, it describes the implementation of random assignment and evaluates the demographic comparability of the three research groups. Second, it addresses the representativeness of the 36-month client survey information by reviewing sample sizes and response rates, by comparing respondents and nonrespondents, and by comparing respondents across research groups to ensure that individual survey response decisions have not undermined the demographic equivalence among those groups. It also uses administrative records available for all sample members to compare four critical outcomes for respondents and for the total sample to determine the extent to which the outcomes and impacts observed for survey respondents are representative of the total sample.

I. Random Assignment

Random assignment research designs offer the best available means of assessing the causal impacts of an intervention. But the practical implementation of random assignment is probabilistic, and it often happens that some characteristics differ significantly across research groups by chance. This section offers a standard assessment of the baseline comparability of research groups and explains the covariates used to control for residual differences.

Between April 1994 and March 1996, over 14,000 families were assigned at random to each of the research groups. Because families were assigned randomly, there should be no systematic demographic differences among research groups prior to the intervention, and the differences in post-program outcomes for the groups should be reliable estimates of MFIP's effects.

Because there might nevertheless be a few random differences in baseline characteristics among the groups, all impacts are regression-adjusted to control for a range of characteristics. The models also adjust for changes in the proportions of the caseload that entered the evaluation over time. In the three urban counties, the proportions of families from the full caseload that were assigned to each of the research groups changed over the course of the evaluation and in different ways across the counties. To the extent that families entering the evaluation at a particular time in a particular county differed in unmeasured ways from those entering at another time or in one of the other urban counties, this change could reduce the comparability among the research groups. To control for these potential differences, the regression-adjustment models include dummy variables for each county, indicating the time of this change in assignment proportions. Each of these variables is also interacted with the full set of baseline covariates included in the model.

The models also control for the fact that the proportion of individuals from the full caseload assigned to each research group differed slightly in one urban county compared with the other two urban counties. Again, if parents differed across counties, this has the potential to reduce the comparability of the research groups when compared across all urban counties. To control for this, the models include a dummy variable to denote the county and group for which the proportions differed (in this case, new applicants in Hennepin County), and this variable interacted with the full set of baseline covariates.

To assess the comparability of the research groups in the total sample, an indicator of research group status was regressed on a full range of pre-random assignment demographic characteristics including: the incidence and duration of past public assistance receipt, current receipt status, age, county, race/ethnicity, employment status and work history, gender, marital status, education, number and age of children, quarter of random assignment, and the amounts of earnings and assistance received in the prior year.

Table D.1 reports the F-statistics and associated p-values indicating the strength of baseline differences among members of different research groups, *after* controlling for the variables indicating the random assignment ratio change. These can be interpreted as an indication of whether the differences among the research groups are statistically significant. Within most subgroups, the three research groups are quite similar in all pre-random assignment demographic characteristics. Except for comparisons involving recent applicants of the MFIP Incentives Only group, none of the F-statistics is statistically significant. Comparisons involving urban single parents in the MFIP Incentives Only group did evidence significant but modest baseline differences. For example, compared with their counterparts in the AFDC group, recent applicants in the MFIP Incentives Only group were more likely to live in Hennepin County, more likely to have young children, more reliant on welfare, and less likely to have been employed in the quarter prior to random assignment. (See Table D.2.) Most of the differences, although statistically significant, are small in magnitude. As mentioned, all the impacts presented in this report were regression-adjusted to control for these differences.

Table D.3 presents unadjusted impacts on key outcomes for long-term recipients and recent applicants in urban counties. A comparison of this table with data from the report shows that the unadjusted impacts are fairly similar to the adjusted impacts, suggesting that the regression adjustments used to control for residual differences across research groups were relatively minor.

This implementation of random assignment successfully created comparable research groups, ensuring that any significant differences in outcomes among research groups can reliably be interpreted as program impacts. The next set of questions concern whether impacts observed for the survey sample can be generalized to the full sample.

II. Survey Response Rates

As discussed in Chapter 2, of the 4,586 people in the *fielded sample*, 3,720 are *respondents*, and 866 are *nonrespondents*. This appendix assesses the extent of representativeness between the respondent sample and the fielded sample.

Table D.4 shows the response rates for each of the subgroups discussed in this report. Response rates were reasonably high for each of the research groups — above 80 percent for most groups. Response rates in this range for samples of this size support generalizations from survey responses to the fielded sample. They suggest that the survey has captured the experiences of enough people within each research group to offer a fair and accurate representation not only of those who responded but also of those who did not.

Response rates should also be similar across research groups. Comparisons between a representative sample of one group and a less representative sample of another may yield biased estimates of program impacts. Among the research groups compared in this evaluation, recent applicants in the MFIP group evidenced a significantly higher response rate (82.7 percent) than their counterparts in the AFDC (76.1 percent) and MFIP Incentives Only (74.8 percent) groups.

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Table D.1

Baseline Differences, by Research Group, for the Total Sample

	MFIP vs. AFDC		MFIP Incentives Only vs. AFDC		MFIP vs. MFIP Incentives Only		Sample Size		
	F-Statistic	p-Value of F-Statistic	F-Statistic	p-Value of F-Statistic	F-Statistic	p-Value of F-Statistic	MFIP	MFIP Incentives Only	AFDC
Single-parent urban families									
Long-term recipients	1.120	0.241	0.979	0.526	1.234	0.107	846	835	934
Recent applicants	0.866	0.881	1.364	0.002 **	1.452	0.001 **	1,916	980	2,133
Single-parent rural families									
Long-term recipients	1.011	0.453					295		298
Recent applicants	1.013	0.450					497		483
Two-parent urban and rural families									
Recipients	0.952	0.559					773		779
Applicants	1.089	0.329					355		390

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records, public assistance benefit records, and the 36-month survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

The F-statistic is taken from a regression of research group status on a range of baseline characteristics.

Other variables included in the model are quarter of random assignment, dummy variables for missing information, and variables accounting for changes in the proportion of individuals assigned to the research groups.

Table D.2

Baseline Differences, by Research Group, Among Single-Parent Recent Applicants in Urban Counties, in the Total Sample

Parameter Estimate	MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Received AFDC 2 to 5 years	0.01	0.01	-0.01
Received AFDC 5 years or more	-0.02	0.10 *	-0.12 **
Ever received AFDC	-0.05	0.09 **	-0.12 **
Receiving assistance at random assignment	0.16 **	0.09	0.05
Number of months of AFDC receipt in year prior to random assignment	-0.01	-0.01	0.00
Received AFDC in quarter prior to random assignment	0.06	0.13 *	-0.03
Received AFDC in year prior to random assignment	0.09	0.07	0.02
Employed at random assignment	-0.01	0.06	-0.06
Employed in quarter prior to random assignment	-0.05	-0.09 *	0.01
Employed in year prior to random assignment	0.02	-0.01	0.03
25-34 years old	0.00	-0.02	0.00
35 years old or older	0.02	-0.04	0.03
Resident of Anoka County	-0.05	-0.10 **	0.04
Resident of Dakota County	-0.03	-0.08 **	0.06
Black, non-Hispanic	-0.07	-0.05	-0.04
White	-0.02	0.00	-0.03
Male	-0.02	-0.02	-0.02
Never married	0.03	-0.04	0.06 *
Number of children	0.03	0.01	0.02
Child less than 6 years old	0.05	0.08 *	-0.03
No high school diploma or GED	0.04	0.03	0.03
Adjusted R-square	0.004	0.057	0.084
F-statistic	0.866	1.364	1.452
P-value of F-statistic	0.881	0.002 **	0.001 **

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records, public assistance benefit records, and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

The F-statistic is taken from a regression of research group status on a range of baseline characteristics. Other variables included in the model are quarter of random assignment, dummy variables for missing information, and variables accounting for changes in the proportion of individuals assigned to the research groups.

Table D.3

Summary of MFIP's Unadjusted Impacts on Employment, Earnings, and Welfare for Single-Parent Families in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome (%)	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Long-Term Recipients						
Employment, earnings, and welfare in year 3						
Employed (%)	55.4	48.4	45.3	10.1 ***	3.1	7.0 ***
Average earnings ($)	1,419	1,251	1,319	100	-68	168 *
Receiving welfare (%)	70.8	74.3	63.7	7.2 ***	10.7 ***	-3.5 *
Average welfare benefit ($)	1,376	1,525	1,225	150 ***	300 ***	-149 ***
Sample size (total = 2,615)	846	835	934			
Recent Applicants						
Employment, earnings, and welfare in year 3						
Employed (%)	58.8	54.1	55.2	3.6 **	-1.2	4.7 ***
Average earnings ($)	2,067	1,800	2,022	45	-222 **	267 ***
Receiving welfare (%)	43.2	48.6	35.8	7.4 ***	12.8 ***	-5.4 ***
Average welfare benefit ($)	705	877	545	160 ***	332 ***	-172 ***
Sample size (total = 5,029)	1,916	980	2,133			

SOURCE: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

Table D.4

Survey Response Rates and Sample Sizes for Research Groups of the MFIP Adult Evaluation

	Response Rates			Total Sample Sizes		
	AFDC	MFIP	MFIP Incentives Only	AFDC	MFIP	MFIP Incentives Only
Single-parent families						
Long-term recipients	82.4	83.3	83.9	592	586	436
Recent applicants	76.1	82.7 **	74.8	806	804	290
Two-parent families						
Recipients	80.7	83.7		181	172	
Applicants	87.7	80.6		73	67	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A t-test is applied to each difference in response rates between research groups. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

The only significant differences are those among the MFIP, AFDC, and MFIP Incentives Only recent applicants.

The final section of this appendix discusses the implications of this difference for estimating program impacts.

III. A Comparison of Survey Respondents and Nonrespondents

To assess whether respondents differ from nonrespondents, an indicator of survey response status was regressed on pre-random assignment demographic characteristics including: the incidence and duration of past public assistance receipt, current receipt status, age, county, race/ethnicity, employment status and work history, gender, marital status, education, number and age of children, quarter of random assignment, and the amounts of earnings and assistance received in the previous year.

Table D.5 reports the overall significance of the relationship between the full set of baseline characteristics and the probability of survey response. The F-statistic can be interpreted as an indication of whether the differences in baseline characteristics between respondents and nonrespondents are statistically significant. As expected, significant but modest differences were found between respondents and nonrespondents. These types of differences — between individuals who can be located and who agree to respond to the survey and those who cannot be located or do not respond — are common in survey research.

For example, among long-term recipients, respondents had younger children than nonrespondents and were more likely to be receiving assistance at random assignment. Males were slightly less likely to respond than females, and Anoka and Dakota County residents were less likely to respond than Hennepin County residents. Sample members of the MFIP group were also slightly more likely to respond than members of the other research groups. Compared with nonrespondents, recent applicant respondents had more children, were less likely to be male, and were more likely to be white. Although significant, variables included in the model explained less than 30 percent of the variation in individual response behavior for long-term recipients and recent applicants.

IV. Assessing the Comparability of the Research Groups Among Survey Respondents

To ensure that survey response decisions have not undermined the baseline equivalence among research groups, an indicator of research group status was regressed on pre-random assignment demographic characteristics including: the incidence and duration of past public assistance receipt, current receipt status, age, county, race/ethnicity, employment status and work history, gender, marital status, education, number and age of children, quarter of random assignment, and the amounts of earnings and assistance received in the previous year. Table D.6 reports the F-statistics and associated p-values indicating the strength of baseline differences among members of different research groups. Across research groups, most respondents were similar in all pre-random assignment demographic characteristics, with the exception of single-parent recent applicants of the MFIP Incentives Only group.

As in the total sample, comparisons involving urban single-parents in the MFIP Incentives Only group did evidence significant but modest baseline differences. Compared with the

Table D.5

Significance of the Relationship Between Baseline Characteristics and Survey Response

	F-Statistic	p-Value of F-Statistic	Sample Size
Single parents in urban counties			
Long-term recipients	3.361	0.000 ***	2,591
Recent applicants	2.220	0.000 ***	4,996
Two-parent families			
Recipients	1.794	0.003 **	1,485

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

The F-statistic is taken from a regression of response status on a range of baseline characteristics.

Table D.6

Baseline Differences Among Respondents, by Research Group

	MFIP vs. AFDC		MFIP Incentives Only vs. AFDC		MFIP vs. MFIP Incentives Only		Sample Size		
	F-Statistic	p-Value of F-Statistic	F-Statistic	p-Value of F-Statistic	F-Statistic	p-Value of F-Statistic	MFIP	MFIP Incentives Only	AFDC
Single-parent urban families									
Long-term recipients	0.929	0.587	0.816	0.763	0.716	0.885	372	366	352
Recent applicants	0.722	0.881	1.113	0.305	1.407	0.064 *	514	217	492
Two-parent urban and rural families									
Recipients	0.688	0.905					144		146
Applicants	0.725	0.845					54		64

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

The F-statistic is taken from a regression of research group status on a range of baseline characteristics.

AFDC group, recent applicants in the MFIP Incentives Only group evidenced longer histories of welfare receipt prior to random assignment. But they were more likely to have been employed prior to random assignment than their counterparts in the MFIP program. Most of the differences, although statistically significant, were minor and addressed with standard regression adjustments.

V. Impacts for the Respondent Sample Versus Impacts for the Full Sample

Given the differences between respondents and nonrespondents, and between recent applicants in the MFIP Incentives Only group and the other research groups, it is important to assess whether findings for the survey sample can be generalized to the full sample. One way to examine this is to compare impacts for the respondent sample and the full sample using administrative records data available for all sample members. Table D.7 compares regression-adjusted impacts for the respondent sample and the full sample. Impacts for the full sample are reproduced from Chapters 4 and 5. If impacts are similar for the respondent sample and the full sample, it seems reasonable to trust that impacts measured using the survey data are also relevant to the full sample.

The impacts for the two groups are fairly consistent, suggesting that impacts observed for the survey sample often apply to the full sample. This is especially true for estimates judged statistically significant ($p\text{-value} < 0.1$) in either sample. Impacts are more consistent for long-term recipients than for recent applicants, which is expected, given the higher response rates among long-term recipients. Differences between either of the two experimental groups and AFDC were estimated more consistently than the differential impacts of the two MFIP programs.

Taken together, the assessments presented in this appendix support the validity of the research comparisons and survey impacts presented in this evaluation. This implementation of random assignment achieved sufficient comparability across research groups in all pre-random assignment characteristics. The survey respondent sample is reliably representative of the full sample. Response rates are similar across research groups, and administrative records impacts available for all sample members evidence consistent employment, earnings, and public assistance outcomes for the respondent sample and the full sample. Among those who responded to the survey, there are few significant differences by research group status. These differences were accounted for through regression adjustments.

Table D.7

Comparison of Four Critical Impacts for the Full Sample and the Respondent Sample

	Total Sample			Respondent Sample		
Outcome	MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only	MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Long-term recipients						
Average quarterly employment rate (%)						
Adjusted impacts	13.4	4.9	8.5	16.4	8.5	7.9
p-value	0.000	0.002	0.000	0.000	0.001	0.001
Average annual earnings ($)						
Adjusted impacts	187	-14	201	275	70	206
p-value	0.000	0.790	0.000	0.001	0.382	0.010
Average quarterly receipt rate (%)						
Adjusted impacts	4.0	5.9	-1.8	4.6	6.9	-2.3
p-value	0.001	0.000	0.141	0.007	0.000	0.188
Average annual benefit ($)						
Adjusted impacts	149	262	-113	118	277	-159
p-value	0.000	0.000	0.001	0.019	0.000	0.001
Recent applicants						
Average quarterly employment rate (%)						
Adjusted impacts	3.3	1.3	2.0	6.7	1.9	4.9
p-value	0.002	0.340	0.148	0.002	0.515	0.092
Average annual earnings ($)						
Adjusted impacts	-36	-93	57	19	-99	118
p-value	0.462	0.126	0.358	0.842	0.461	0.374
Average quarterly receipt rate (%)						
Adjusted impacts	8.1	9.2	-1.1	9.7	9.9	-0.3
p-value	0.000	0.000	0.427	0.000	0.001	0.934
Average annual benefit ($)						
Adjusted impacts	217	280	-64	202	229	-26
p-value	0.000	0.000	0.031	0.000	0.000	0.673

(continued)

Table D.7 (continued)

Sample Sizes	Total Sample	Respondent Sample
Long-term recipients		
MFIP	846	372
MFIP Incentives Only	835	366
AFDC	934	352
Recent applicants		
MFIP	1,916	514
MFIP Incentives Only	980	217
AFDC	2,133	492

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records, public assistance benefit records, and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

Sample size may slightly vary for each outcome variable.

Appendix E

Quarterly Impacts on Employment, Earnings, and Welfare Benefits

Table E.1

MFIP's Impacts on Quarterly Employment, Earnings, and Welfare Receipt for Single-Parent Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Employment (%)						
Quarter 1	31.5	31.6	27.8	3.7 **	3.8 **	-0.1
Quarter 2	42.1	37.7	31.5	10.6 ***	6.2 ***	4.4 **
Quarter 3	47.2	39.4	34.4	12.8 ***	5.1 **	7.8 ***
Quarter 4	45.2	41.3	32.1	13.1 ***	9.2 ***	3.9 *
Quarter 5	49.6	40.6	33.1	16.5 ***	7.5 ***	9.0 ***
Quarter 6	52.7	41.4	36.0	16.7 ***	5.4 **	11.4 ***
Quarter 7	52.4	43.2	37.6	14.8 ***	5.6 **	9.2 ***
Quarter 8	53.4	42.3	41.2	12.2 ***	1.1	11.1 ***
Quarter 9	54.1	44.8	42.3	11.8 ***	2.5	9.3 ***
Quarter 10	56.2	45.5	44.1	12.1 ***	1.4	10.7 ***
Quarter 11	55.5	48.1	45.3	10.2 ***	2.8	7.5 ***
Quarter 12	56.9	51.3	44.7	12.2 ***	6.6 ***	5.6 **
Earnings ($)						
Quarter 1	327	354	313	14	41	-27
Quarter 2	476	450	399	77 **	52	26
Quarter 3	658	561	520	138 ***	41	97 *
Quarter 4	762	645	567	195 ***	77	118 **
Quarter 5	900	688	660	240 ***	28	212 ***
Quarter 6	996	751	752	244 ***	0	245 ***
Quarter 7	1,076	826	858	217 ***	-32	249 ***
Quarter 8	1,156	903	929	228 ***	-25	253 ***
Quarter 9	1,288	970	1,112	176 **	-142 *	318 ***
Quarter 10	1,387	1,097	1,222	165 *	-125	290 ***
Quarter 11	1,450	1,273	1,304	146	-31	177 *
Quarter 12	1,486	1,382	1,370	117	12	105
Welfare receipt (%)						
Quarter 1	97.5	98.1	97.4	0.0	0.7	-0.7
Quarter 2	96.8	97.6	97.1	-0.3	0.5	-0.8
Quarter 3	94.2	95.2	92.8	1.4	2.4 **	-1.0
Quarter 4	90.7	91.6	88.6	2.1	3.0 **	-0.9
Quarter 5	88.1	89.6	84.4	3.7 **	5.2 ***	-1.5
Quarter 6	84.0	87.0	79.4	4.6 ***	7.6 ***	-3.0 *
Quarter 7	82.2	84.8	77.3	4.9 ***	7.5 ***	-2.6
Quarter 8	80.0	82.3	74.3	5.7 ***	8.0 ***	-2.3
Quarter 9	78.0	80.6	71.8	6.2 ***	8.8 ***	-2.6
Quarter 10	74.4	76.3	66.6	7.8 ***	9.7 ***	-1.9
Quarter 11	71.3	74.0	63.8	7.5 ***	10.1 ***	-2.7
Quarter 12	67.8	72.1	60.3	7.4 ***	11.8 ***	-4.4 *

(continued)

Table E.1 (continued)

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Welfare benefits ($)						
Quarter 1	2,021	2,004	1,903	119 ***	102 ***	17
Quarter 2	2,166	2,182	1,969	197 ***	213 ***	-16
Quarter 3	2,006	2,058	1,864	142 ***	193 ***	-51
Quarter 4	1,888	1,987	1,761	127 ***	226 ***	-99 **
Quarter 5	1,794	1,913	1,644	149 ***	269 ***	-120 ***
Quarter 6	1,729	1,867	1,576	153 ***	291 ***	-138 ***
Quarter 7	1,651	1,818	1,526	125 ***	292 ***	-167 ***
Quarter 8	1,600	1,736	1,465	135 ***	271 ***	-136 ***
Quarter 9	1,529	1,673	1,368	161 ***	305 ***	-144 ***
Quarter 10	1,442	1,588	1,295	147 ***	293 ***	-146 ***
Quarter 11	1,377	1,513	1,220	157 ***	293 ***	-136 ***
Quarter 12	1,322	1,453	1,166	157 ***	288 ***	-131 **
Sample size (total = 2,615)	846	835	934			

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Rounding may cause slight discrepancies in sums and differences.

Table E.2

MFIP's Impacts on Quarterly Employment, Earnings, and Welfare Receipt for Single-Parent Recent Applicants in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Employment (%)						
Quarter 1	54.4	52.6	53.8	0.6	-1.2	1.8
Quarter 2	48.1	49.8	46.3	1.9	3.5 **	-1.6
Quarter 3	51.6	51.3	47.7	3.9 ***	3.6 **	0.3
Quarter 4	52.4	51.7	49.3	3.1 **	2.4	0.7
Quarter 5	54.9	53.1	51.9	3.0 **	1.1	1.8
Quarter 6	55.9	52.0	51.8	4.1 ***	0.2	3.9 **
Quarter 7	56.2	53.2	52.9	3.3 **	0.3	3.0
Quarter 8	58.1	53.1	53.9	4.2 ***	-0.9	5.0 ***
Quarter 9	57.0	55.1	53.9	3.1 **	1.3	1.8
Quarter 10	57.7	54.9	55.0	2.8 *	-0.1	2.9
Quarter 11	58.2	55.9	55.7	2.5 *	0.2	2.3
Quarter 12	58.4	55.1	55.3	3.2 **	-0.1	3.3 *
Earnings ($)						
Quarter 1	875	878	881	-7	-4	-3
Quarter 2	848	908	937	-90 **	-29	-61
Quarter 3	1,112	1,163	1,169	-58	-6	-51
Quarter 4	1,242	1,237	1,320	-78	-82	5
Quarter 5	1,381	1,290	1,437	-55	-147 **	91
Quarter 6	1,510	1,457	1,515	-5	-59	54
Quarter 7	1,647	1,526	1,645	1	-119	120
Quarter 8	1,701	1,568	1,712	-11	-144 *	134
Quarter 9	1,762	1,656	1,791	-30	-136	106
Quarter 10	1,932	1,813	1,932	0	-119	119
Quarter 11	2,077	1,890	2,025	53	-135	187 *
Quarter 12	2,086	1,940	2,095	-8	-155	146
Welfare receipt (%)						
Quarter 1	84.1	82.7	77.4	6.7 ***	5.3 ***	1.4
Quarter 2	84.7	84.6	77.9	6.8 ***	6.6 ***	0.1
Quarter 3	77.8	76.7	68.4	9.3 ***	8.3 ***	1.0
Quarter 4	70.3	70.1	61.9	8.4 ***	8.1 ***	0.3
Quarter 5	64.1	65.5	54.9	9.2 ***	10.6 ***	-1.4
Quarter 6	59.1	59.7	49.9	9.3 ***	9.8 ***	-0.6
Quarter 7	55.6	56.9	46.6	9.1 ***	10.4 ***	-1.3
Quarter 8	52.5	54.8	44.8	7.7 ***	10.0 ***	-2.3
Quarter 9	49.3	52.0	42.3	7.0 ***	9.6 ***	-2.6
Quarter 10	45.7	49.1	39.5	6.3 ***	9.6 ***	-3.3 *
Quarter 11	42.7	47.8	36.7	5.9 ***	11.1 ***	-5.2 ***
Quarter 12	40.9	44.0	33.8	7.1 ***	10.2 ***	-3.2 *

(continued)

Table E.2 (continued)

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Welfare benefits ($)						
Quarter 1	917	915	738	179 ***	177 ***	2
Quarter 2	1,537	1,526	1,195	342 ***	331 ***	12
Quarter 3	1,340	1,367	1,079	261 ***	288 ***	-27
Quarter 4	1,202	1,245	970	231 ***	275 ***	-43
Quarter 5	1,076	1,130	850	226 ***	280 ***	-54
Quarter 6	985	1,066	788	197 ***	278 ***	-81 **
Quarter 7	940	1,008	735	205 ***	273 ***	-68 *
Quarter 8	886	969	698	189 ***	271 ***	-83 **
Quarter 9	815	937	667	148 ***	270 ***	-122 ***
Quarter 10	763	868	611	151 ***	257 ***	-106 ***
Quarter 11	698	852	563	136 ***	290 ***	-154 ***
Quarter 12	665	784	510	155 ***	274 ***	-119 ***
Sample size (total = 5,029)	1,916	980	2,133			

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Rounding may cause slight discrepancies in sums and differences.

Table E.3

MFIP's Impacts on Quarterly Employment, Earnings, and Welfare Receipt for Single-Parent Long-Term Recipients in Rural Counties

Outcome	MFIP	AFDC	Impact (Difference)
Employment (%)			
Quarter 1	30.8	29.6	1.2
Quarter 2	37.9	31.0	6.9 **
Quarter 3	41.8	31.4	10.4 ***
Quarter 4	47.7	29.3	18.3 ***
Quarter 5	47.8	36.3	11.5 ***
Quarter 6	47.9	42.1	5.8
Quarter 7	49.0	43.8	5.3
Quarter 8	50.6	43.9	6.7
Quarter 9	53.6	48.3	5.3
Quarter 10	53.6	46.9	6.7
Earnings ($)			
Quarter 1	315	343	-27
Quarter 2	423	410	12
Quarter 3	703	494	209 **
Quarter 4	766	519	246 **
Quarter 5	766	721	45
Quarter 6	892	857	36
Quarter 7	950	1,017	-67
Quarter 8	1,061	1,025	36
Quarter 9	1,103	1,177	-75
Quarter 10	1,218	1,160	58
Welfare receipt (%)			
Quarter 1	98.9	97.1	1.8 *
Quarter 2	98.5	93.5	5.0 ***
Quarter 3	93.9	88.9	5.0 **
Quarter 4	89.6	86.2	3.4
Quarter 5	89.4	82.0	7.5 **
Quarter 6	85.6	76.7	8.9 ***
Quarter 7	82.9	71.7	11.2 ***
Quarter 8	81.6	65.9	15.7 ***
Quarter 9	77.7	63.7	14.0 ***
Quarter 10	74.1	59.2	14.9 ***
Welfare benefits ($)			
Quarter 1	1,903	1,791	112 ***
Quarter 2	2,129	1,791	338 ***
Quarter 3	1,952	1,704	248 ***
Quarter 4	1,810	1,599	211 ***
Quarter 5	1,769	1,490	279 ***
Quarter 6	1,695	1,341	354 ***
Quarter 7	1,620	1,252	368 ***
Quarter 8	1,562	1,133	429 ***
Quarter 9	1,454	1,042	412 ***
Quarter 10	1,345	983	362 ***
Sample size (total = 593)	295	298	

(continued)

Table E.3 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Rounding may cause slight discrepancies in sums and differences.

Table E.4

MFIP's Impacts on Quarterly Employment, Earnings, and Welfare Receipt for Single-Parent Recent Applicants in Rural Counties

Outcome	MFIP	AFDC	Impact (Difference)
Employment (%)			
Quarter 1	54.6	55.5	-0.9
Quarter 2	52.8	51.0	1.8
Quarter 3	55.9	53.2	2.7
Quarter 4	58.0	53.8	4.1
Quarter 5	57.4	52.5	4.9
Quarter 6	57.5	54.3	3.1
Quarter 7	57.8	54.1	3.7
Quarter 8	58.3	54.9	3.4
Quarter 9	60.3	56.4	3.9
Quarter 10	63.7	57.0	6.7 **
Earnings ($)			
Quarter 1	910	1,005	-95 *
Quarter 2	961	1,072	-111
Quarter 3	1,192	1,246	-54
Quarter 4	1,336	1,347	-12
Quarter 5	1,408	1,456	-48
Quarter 6	1,488	1,555	-67
Quarter 7	1,503	1,609	-106
Quarter 8	1,580	1,633	-53
Quarter 9	1,761	1,762	-2
Quarter 10	1,953	1,746	208
Welfare receipt (%)			
Quarter 1	88.3	82.2	6.1 ***
Quarter 2	86.6	79.7	6.9 ***
Quarter 3	79.1	67.7	11.5 ***
Quarter 4	73.9	58.8	15.1 ***
Quarter 5	69.4	53.0	16.5 ***
Quarter 6	66.3	48.1	18.2 ***
Quarter 7	63.1	44.4	18.8 ***
Quarter 8	58.7	42.1	16.5 ***
Quarter 9	55.4	39.2	16.2 ***
Quarter 10	52.5	36.6	15.9 ***
Welfare benefits ($)			
Quarter 1	1,121	895	226 ***
Quarter 2	1,586	1,192	394 ***
Quarter 3	1,368	1,007	361 ***
Quarter 4	1,227	880	347 ***
Quarter 5	1,139	766	373 ***
Quarter 6	1,076	724	353 ***
Quarter 7	1,042	669	372 ***
Quarter 8	965	635	330 ***
Quarter 9	918	564	354 ***
Quarter 10	811	526	285 ***
Sample size (total = 980)	497	483	

(continued)

Table E.4 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Rounding may cause slight discrepancies in sums and differences.

Table E.5

MFIP's Impacts on Quarterly Employment, Earnings, and Welfare Receipt for Two-Parent Recipient Families in All Counties

Outcome	MFIP	AFDC	Impact[a] (Difference)
Either parent employed (%)			
Quarter 1	54.9	54.3	0.6
Quarter 2	56.4	58.2	-1.9
Quarter 3	59.6	60.3	-0.7
Quarter 4	57.0	61.5	-4.6 **
Quarter 5	59.6	64.0	-4.4 *
Quarter 6	59.1	62.9	-3.8 *
Quarter 7	60.3	64.3	-4.0 *
Quarter 8	61.8	62.6	-0.8
Quarter 9	63.5	64.5	-1.0
Quarter 10	64.2	64.1	0.1
Earnings of both parents ($)			
Quarter 1	1,241	1,305	-64
Quarter 2	1,470	1,763	-293 ***
Quarter 3	1,730	2,156	-426 ***
Quarter 4	1,964	2,353	-389 ***
Quarter 5	2,041	2,563	-522 ***
Quarter 6	2,150	2,851	-701 ***
Quarter 7	2,321	2,916	-595 ***
Quarter 8	2,509	3,056	-547 ***
Quarter 9	2,663	3,160	-497 ***
Quarter 10	2,887	3,315	-429 **
Welfare receipt (%)			
Quarter 1	94.7	91.5	3.2 ***
Quarter 2	93.2	88.8	4.5 ***
Quarter 3	86.2	80.0	6.2 ***
Quarter 4	81.3	72.7	8.6 ***
Quarter 5	78.0	70.0	8.0 ***
Quarter 6	76.2	62.8	13.3 ***
Quarter 7	71.4	58.5	12.9 ***
Quarter 8	69.3	56.7	12.7 ***
Quarter 9	67.4	53.9	13.5 ***
Quarter 10	64.6	51.0	13.7 ***
Welfare benefits ($)			
Quarter 1	2,080	1,803	277 ***
Quarter 2	2,446	1,883	563 ***
Quarter 3	2,194	1,681	513 ***
Quarter 4	2,026	1,535	491 ***
Quarter 5	1,914	1,394	520 ***
Quarter 6	1,830	1,304	526 ***
Quarter 7	1,755	1,210	545 ***
Quarter 8	1,710	1,157	553 ***
Quarter 9	1,613	1,094	519 ***
Quarter 10	1,515	1,044	471 ***
Sample size (total = 1,523)	761	762	

(continued)

Table E.5 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Rounding may cause slight discrepancies in sums and differences.

[a] The difference is the impact of the financial incentives, mandatory services, reinforced incentive messages, and elimination of the 100-hour rule and work history requirement.

Table E.6

MFIP's Impacts on Quarterly Employment, Earnings, and Welfare Receipt for Two-Parent Applicant Families in All Counties

Outcome	MFIP	AFDC	Impact[a] (Difference)
Either parent employed (%)			
Quarter 1	82.7	78.9	3.9
Quarter 2	79.2	77.4	1.8
Quarter 3	76.2	79.4	-3.2
Quarter 4	78.4	77.6	0.8
Quarter 5	79.3	77.9	1.4
Quarter 6	81.5	79.5	2.0
Quarter 7	77.3	77.7	-0.4
Quarter 8	75.6	78.9	-3.3
Quarter 9	78.5	79.7	-1.2
Quarter 10	81.0	77.7	3.4
Earnings of both parents ($)			
Quarter 1	2,727	2,771	-44
Quarter 2	2,869	3,319	-450 **
Quarter 3	3,541	3,937	-396 *
Quarter 4	3,823	3,998	-175
Quarter 5	4,114	4,226	-112
Quarter 6	4,300	4,618	-318
Quarter 7	4,303	5,129	-826 ***
Quarter 8	4,239	5,019	-780 ***
Quarter 9	4,449	4,967	-519 *
Quarter 10	4,873	5,210	-337
Welfare receipt (%)			
Quarter 1	70.0	59.2	10.8 ***
Quarter 2	71.7	55.3	16.3 ***
Quarter 3	58.2	46.3	11.9 ***
Quarter 4	51.1	38.4	12.7 ***
Quarter 5	45.0	34.2	10.8 ***
Quarter 6	39.4	29.8	9.6 ***
Quarter 7	33.9	27.5	6.4 *
Quarter 8	28.2	27.5	0.7
Quarter 9	29.3	23.3	6.0 *
Quarter 10	29.2	20.6	8.6 ***
Welfare benefits ($)			
Quarter 1	774	467	307 ***
Quarter 2	1,375	767	609 ***
Quarter 3	1,043	581	462 ***
Quarter 4	934	526	408 ***
Quarter 5	804	448	356 ***
Quarter 6	679	363	316 ***
Quarter 7	604	326	278 ***
Quarter 8	557	334	223 ***
Quarter 9	548	304	244 ***
Quarter 10	501	246	255 ***
Sample size (total = 733)	348	385	

(continued)

Table E.6 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

Rounding may cause slight discrepancies in sums and differences.

[a] The difference is the impact of the financial incentives, mandatory services, reinforced incentive messages, and elimination of the 100-hour rule and work history requirement.

Appendix F

Effects on Participation for Two-Parent Families

Table F.1

Summary of MFIP's Impacts on Participation for Two-Parent Recipient Families

	Women			Men			Families		
Outcome (%)	MFIP	AFDC	Impact[a] (Difference)	MFIP	AFDC	Impact[a] (Difference)	MFIP	AFDC	Impact[a] (Difference)
Ever participated in case management	34.6	24.2	10.3 ***	32.7	32.0	0.7	53.2	46.3	6.8 ***
Any employment-related activity	46.0	37.9	8.1 ***	46.2	47.3	-1.1	67.8	66.6	1.2
Short-term employment-related activities	28.7	24.6	4.1 *	37.4	40.7	-3.2	53.6	54.2	-0.6
Career job search	8.9	6.6	2.3 *	7.5	8.8	-1.4	13.2	13.1	0.1
Any job search activity	24.7	20.3	4.4 **	34.0	35.0	-1.0	48.8	45.9	2.8
Any education or training	29.0	20.6	8.5 ***	16.6	12.9	3.7 **	38.8	29.4	9.4 ***
Basic education	20.4	12.9	7.6 ***	10.8	9.7	1.1	27.7	20.9	6.8 ***
Post-secondary education	3.1	2.5	0.6	2.3	0.7	1.6 **	4.7	2.8	1.9 *
On-the-job or vocational training	8.8	8.4	0.3	4.4	3.7	0.7	12.6	11.1	1.5
Unpaid work experience	1.6	3.3	-1.7 **	1.7	6.2	-4.5 ***	3.7	8.6	-4.9 ***
Services for employed persons	16.8	6.7	10.1 ***	14.2	10.1	4.1 **	28.2	16.5	11.8 ***
Ever sanctioned	7.6	-0.2	7.7 ***	4.4	0.0	4.5 ***	11.7	-0.2	12.0 ***
Sample size (total = 1,523)	761	762							

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] The difference is the impact of the elimination of the 100-hour rule, the elimination of the work history requirement, financial incentives, mandatory services, and reinforced incentive messages.

Table F.2

Summary of MFIP's Impacts on Participation for Two-Parent Applicant Families

	Women			Men			Families		
Outcome (%)	MFIP	AFDC	Impact[a] (Difference)	MFIP	AFDC	Impact[a] (Difference)	MFIP	AFDC	Impact[a] (Difference)
Ever participated in case management	16.2	14.8	1.4	14.0	15.5	-1.5	27.6	27.8	-0.3
Any employment-related activity	15.4	15.5	-0.1	15.6	18.2	-2.6	25.3	30.4	-5.1
Short-term employment-related activities	10.8	12.1	-1.3	12.8	16.5	-3.6	18.1	27.3	-9.1 ***
Career job search	3.7	4.4	-0.7	3.3	2.9	0.4	4.5	6.6	-2.1
Any job search activity	10.0	9.6	0.4	11.6	15.8	-4.1	16.9	24.2	-7.3 **
Any education or training	8.3	6.4	2.0	5.8	4.1	1.8	12.6	10.3	2.2
Basic education	4.6	3.1	1.6	2.1	0.9	1.2	6.1	4.2	1.8
Post-secondary education	0.7	0.3	0.4	1.4	0.8	0.5	2.6	1.2	1.4
On-the-job or vocational training	3.7	4.0	-0.3	2.6	2.3	0.3	5.1	6.3	-1.2
Unpaid work experience	0.0	1.5	-1.7 ***	0.0	3.2	-3.4 ***	-0.2	3.8	-4.0 ***
Services for employed persons	8.1	1.5	6.7 ***	7.3	4.1	3.2 *	16.1	6.6	9.5 ***
Ever sanctioned	1.4	0.0	1.4 **	2.9	0.1	2.8 ***	5.1	0.2	4.9 ***
Sample size (total = 733)	348	385							

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] The difference is the impact of the elimination of the 100-hour rule, the elimination of the work history requirement, financial incentives, mandatory services, and reinforced incentive messages.

Appendix G

Summary of SIME/DIME and Comparison with MFIP

The question of the relationship between transfer programs and marriage was first tested in an experimental framework in the Negative Income Tax (NIT) experiments conducted in several sites in the United States and Canada in the 1960s and 1970s. The original marital analysis from the largest NIT experiment, the Seattle/Denver Income Maintenance Experiment (SIME/DIME), suggested that the program, which guaranteed a minimum income level, dramatically increased marital dissolution (by 40 to 60 percent) among both white and black couples, relative to a control group, and that it decreased rates of marriage/remarriage among Hispanic single-parent families.[1] The marital destabilization that came to be associated with the NIT fueled opposition to this general program approach.[2] The experience of the NIT and the striking difference in impacts on marital stability in the Minnesota Family Investment Program (MFIP) have led many to draw comparisons between the two programs. SIME/DIME significantly increased marital *in*stability, whereas MFIP significantly enhanced marital stability (by 50 percent). This appendix provides some background on SIME/DIME and briefly compares it with MFIP.

I. Overview of SIME/DIME

The Seattle/Denver Income Maintenance Experiment was the last, largest, and longest-running experiment in a series of four large-scale income maintenance experiments that took place during the late 1960s and early 1970s.[3] Female-headed and two-parent families were recruited from low-income census tracts in Seattle and Denver to be part of the NIT study. Families were randomly assigned to a three-year treatment or a five-year treatment.[4] The families who were recruited included only household heads between 18 and 58 years of age, families with total annual earnings of less than 2.25 times the poverty level (if one head was employed) or total annual earnings of less than 3 times the poverty level (if both parents were employed). Both single-parent families with a dependent child and couples (two parents) were recruited. Couples did not have to be legally married and did not have to have a dependent child. Recruitment targeted groups by race/ethnicity to ensure a balanced sample of white, black, and Hispanic families.

Sample members were randomly assigned into one of four groups: NIT only, counseling/training only, NIT and counseling/training, and no treatment. Families in the NIT only group received a maximum benefit if the family had no other income. Otherwise, a benefit reduction rate was applied by which the maximum benefit was reduced as other income increased. These benefits varied with family size. The treatment varied for families within this group; three possible guaranteed income levels and four tax rates (two constant and two declining) produced 11 different income tax plans within this group. Families assigned to the counseling/training group may have experienced one of three variations: counseling only, counseling combined with a 50 percent subsidy for approved education or training courses, and counseling combined with a 100 percent subsidy for approved education or training. In this group, every family member age 16 or older was eligible for the counseling/training information or for subsidies. Families assigned to the NIT and counseling/training group received a combination of the first two groups' described treatments. Finally, families who were assigned to the control, or no treatment, group — if eligible — could receive benefits from Aid to Families with Dependent Children (AFDC) or from AFDC-U (a more restrictive version of AFDC-UP, or Unemployed Parent). Note that members of the treatment group could receive either AFDC benefits or SIME/DIME benefits, but not both.

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[1] Groeneveld, Tuma, and Hannan, 1977; SRI International, 1983.

[2] Mich, 1978.

[3] The first was the New Jersey experiment in New Jersey and Pennsylvania (1967); the second was the North Carolina and Iowa rural experiment (1968); the third was the Gary, Indiana, experiment (1971); and the last was SIME/DIME, which was launched in Seattle, Washington, in 1970 and was extended in 1972 to a second site in Denver, Colorado. A NIT experiment also took place in Manitoba, Canada.

[4] Two years after the initial period of random assignment, a nonrandom subset of 169 families was followed for 20 years.

In general, SIME/DIME significantly reduced hours worked among men and women, though reductions in hours worked were proportionally higher for women and significantly increased marital dissolution among both white and black two-parent families, by 40 to 60 percent.[5] For black two-parent families, the marital dissolution impact was concentrated among families with young children. For white two-parent families, the marital dissolution impact was strongest among childless families. With the exception of a relatively small dissolution effect found on a small sample in the New Jersey NIT experiment, these marital dissolution effects were not replicated in any of the other income maintenance experiments.

Surprisingly, the marital dissolution effects were concentrated in the subgroup who received the least generous NIT plan, offering benefits that were approximately equal to those available from AFDC. Researchers explained this paradox by pointing to the nonpecuniary aspects of the NIT, such as lower transaction costs and less stigma compared with the AFDC system. More specifically, members of the treatment group had more information about the availability of benefits in the event of marital dissolution, and each parent in the treatment group automatically received the income guarantee even upon dissolution of the relationship, whereas members of the control group had to apply to receive AFDC benefits; SIME/DIME was independent of the welfare system, so its checks avoided the stigma associated with the receipt of welfare benefits.

Cain and then Cain and Wissoker reanalyzed the SIME/DIME data and drew different conclusions about its effects on marital stability.[6] The Cain reanalysis examined marital dissolution only for couples with children and measured rates of dissolution (since different rates of attrition may capture families at different rates of risk). He found that the NIT program, by itself, would not necessarily lead to an increase in marital breakups among married couples with children. He also found that a summary estimate that combined the 3-, 5-, and 20-year follow-up and all sites had an inconsistent sign and a small quantitative effect. In a response to this reanalysis, Hannan and Tuma noted that nonpecuniary factors did not affect response to treatments, and the fact remained that the joint effect of the NIT with counseling/training still significantly affected marital dissolution.[7] Hannan and Tuma also noted that a number of the families without children at baseline *did* subsequently have children (during the follow-up) and that their original analyses accounted for this.

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[5] Groeneveld et al., 1983; Munnell, 1986.
[6] Cain, 1986; Cain and Wissoker, 1990.
[7] Hannan and Tuma, 1990.

II. SIME/DIME Versus MFIP

Though a comparison of SIME/DIME and MFIP is useful in many respects, a number of differences between them need to be considered first. Most important is that the welfare system, society's attitudes, the acceptance and incidence of divorce or separation, and female participation in the labor force are all dramatically different today than 30 years. In addition, other programmatic and population differences exist between SIME/DIME and MFIP.

First, the target populations for each evaluation were very different. MFIP's sample members were chosen and randomly assigned to an experimental or a control group at the time they appeared for recertification of welfare benefits. The majority of MFIP two-parent recipient families were white, long-term welfare recipients with two or three children, on average. Two-parent families in SIME/DIME were recruited from low-income census tracts, and thus many of them had little experience on welfare. SIME/DIME two-parent families were a broader mix of black, white, and Hispanic families, and 12 percent of them had no children.

Second, the interventions were very different. The aim of the MFIP intervention was to encourage work and reduce poverty, that is, all financial incentives were tied to work. The aim of the NIT model was only to enhance income, or to reduce poverty. Though counseling or training and education subsidies were offered on a voluntary basis for participants in SIME/DIME, the primary goal of the evaluation was to test the employment response to a pure increase in income.

Third, the interventions had different implications for two-parent families who might subsequently become single-parent families. If a two-parent family in MFIP split up, only one parent, most often the custodial parent, was eligible for MFIP benefits. In contrast, if a two-parent family in SIME/DIME split up, each parent retained some portion of a guaranteed income benefit (with adjustment accounting for family size) — although the noncustodial parent retained relatively lower guaranteed income benefits than the custodial parent, even adjusting for family size. Related to this, MFIP benefits were relatively neutral in terms of the effort involved to maintain welfare benefits, because it worked within the welfare system and all families were former welfare recipients. SIME/DIME operated outside the welfare system, and many families were not welfare recipients; thus, if a newly divorced or separated single parent was in financial need, that parent had to apply for welfare.

Fourth, most two-parent families in the MFIP evaluation control group were on or eligible for AFDC-UP (and relatively easily became an AFDC case upon breakup), whereas members of the control group in SIME/DIME were generally low-income families who may not have been receiving public assistance. More important, during the time of the SIME/DIME intervention, prior to 1988, the AFDC-U program was relatively more restrictive than the later AFDC-UP.

Finally, it appears that the two programs affected marital behavior in different ways. MFIP stabilized two-parent family relationships primarily through its financial incentives and streamlined eligibility rules for two-parent families. In contrast, in SIME/DIME, the marital dissolution impacts showed little relationship with the guaranteed income benefits offered.

Appendix H

Estimated Net Gains and Losses for Members of the Child Outcomes Sample

Table H.1

Five-Year Estimated Net Gains and Losses per MFIP Group Member for Single-Parent Members of the Child Outcomes Study Sample, by Accounting Perspective (in 1996 Dollars)

	Perspective			
Component	Welfare Sample	Government Budget	Taxpayers	Society
Urban long-term recipients				
Financial effects				
Transfer payments, administrative costs, and support service payments[a]	5,028	-7,209	-7,209	-2,182
Employment and training services[b]	0	-374	-374	-374
Earnings and fringe benefits	3,613	0	0	3,613
Taxes and credits	1,098	-859	-1,098	0
Net dollar effects	9,739	-8,442	-8,682	1,058
Nonfinancial effects				
Work, welfare, and income per quarter				
Percentage with income below poverty[c]	+	n/a	+	+
Percentage working	+	n/a	+	+
Welfare use				
Percentage receiving welfare	-	n/a	-	-
Percentage relying solely on welfare	+	n/a	+	+
Other family outcomes				
Continuous health insurance coverage[d]	+	n/a	+	+
Homeownership[e]	0	0	0	0
Mother currently married[f]	?	n/a	?	?
Time spent out of the home[g]	-	n/a	?	-
Child environment and child well-being[h] (measured for families with children age 2 - 9)	+	n/a	+	+
Urban recent applicants				
Financial effects				
Transfer payments, administrative costs, and support service payments[a]	7,348	-9,318	-9,318	-1,970
Employment and training services[b]	0	-204	-204	-204
Earnings and fringe benefits	-4,963	0	0	-4,963
Taxes and credits	1,645	-1,974	-1,645	0
Net dollar effects	4,031	-11,496	-11,167	-7,136
Nonfinancial effects				
Work, welfare, and income per quarter				
Percentage with income below poverty[c]	0	0	0	0
Percentage working	+	n/a	+	+
Welfare use[i]				
Percentage receiving welfare	-	n/a	-	-
Percentage relying solely on welfare	+	n/a	+	+
Other family outcomes				
Continuous health insurance coverage[d]	+	n/a	+	+
Homeownership[e]	0	0	0	0
Mother currently married[f]	0	0	0	0
Time spent out of the home[g]	-	n/a	?	-
Child environment and child well-being[h] (measured for families with children age 2-9)	0	0	0	0

(continued)

Table H.1 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) and public assistance benefit records, state and federal tax codes, aggregate fiscal data and county child care payment records. Refer to Tables 4.1, 4.2, 4.3, 4.6, 4.7, 4.8, and 5.1, 5.2, and 5.5 in Volume 2 (Gennetian and Miller, 2000).

NOTES: The pluses and minuses on this table are based on nonfinancial gains and losses from components. Outcomes indicated as n/a are not measured. A more in-depth explanation of these components can be found in previous chapters of this report and in Volume 2.

Child care costs for sample members in rural counties were estimated by applying estimated utilization rates from urban counties to average cost per family who used child care in rural counties. Data from the 36-month survey suggested little rural-urban difference in utilization of subsidized child care services.

[a] Includes transfer payments (cash assistance, Food Stamps, and Medicaid/MinnCare); administrative costs of transfer programs; and costs of child care and other support services.

[b] Rural sample sizes are too small to estimate the average length of stay in employment and training services. Therefore, the length of stay for sample members in urban counties was used to approximate the stay in rural counties, and the employment and training cost estimates for rural counties should be interpreted with some caution.

[c] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

[d] Percentage who had continuous health insurance coverage during the follow-up period.

[e] Percentage who owned their home at the time of the 36-month survey.

[f] Percentage married and living with spouse at the time of the 36-month survey. The benefit-cost tables place a different value on changes in marital status for single parents than for two parent families. Because the empirical evidence is mixed on the long-term effects on children of entering into a stepfamily, increases in marriage for single parent families are valued with a (?). In contrast, because there is a growing consensus that the average effect of divorce on children is negative (except in the case of high conflict marriages), increases in marital stability for two parent families are valued with a (+). (Cherlin, 1992, McLanahan and Sandefur, 1994)

[g] Measured as average hours worked per week in current or most recent job. Actual impact for urban long-term recipients is 3.5 hours per week and 2.9 hours for urban recent applicants.

[h] Includes measures of domestic abuse, home environment (HOME), problem behavior (BPI), performance in school, and health.

[i] Percentage relying on welfare increased significantly increased by 14.3. Percentage relying solely on welfare decreased significantly by 5.7, averaged over 12 quarters.

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Using Cluster Random Assignment to Measure Program Impacts: Statistical Implications for the Evaluation of Education Programs. 1999. Howard Bloom, Johannes Bos, Suk-Won Lee.

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The Manpower Demonstration Research Corporation (MDRC) is a nonprofit, nonpartisan social policy research organization. We are dedicated to learning what works to improve the well-being of low-income people. Through our research and the active communication of our findings, we seek to enhance the effectiveness of social policies and programs. MDRC was founded in 1974 and is located in New York City and San Francisco.

MDRC's current projects focus on welfare and economic security, education, and employment and community initiatives. Complementing our evaluations of a wide range of welfare reforms are new studies of supports for the working poor and emerging analyses of how programs affect children's development and their families' well-being. In the field of education, we are testing reforms aimed at improving the performance of public schools, especially in urban areas. Finally, our community projects are using innovative approaches to increase employment in low-income neighborhoods.

Our projects are a mix of demonstrations — field tests of promising program models — and evaluations of government and community initiatives, and we employ a wide range of methods such as large-scale studies to determine a program's effects, surveys, case studies, and ethnographies of individuals and families. We share the findings and lessons from our work — including best practices for program operators — with a broad audience within the policy and practitioner community, as well as the general public and the media.

Over the past quarter century, MDRC has worked in almost every state, all of the nation's largest cities, and Canada. We conduct our projects in partnership with state and local governments, the federal government, public school systems, community organizations, and numerous private philanthropies.

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MFIP

Reforming Welfare and Rewarding Work:

Final Report on the Minnesota Family Investment Program

Volume 2: Effects on Children

Lisa A. Gennetian
Cynthia Miller

September 2000

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Upon request, this information will be made available from the Minnesota Department of Human Services in an alternative format, such as Braille, large print, or audiotape.

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Preface

This is the final report from an evaluation by MDRC of the Minnesota Family Investment Program (MFIP). The report is being published in three volumes: this report on the program's impacts on children (Volume 2); a companion report on its impacts on adults (Volume 1); and a summary report. The final report provides valuable insights into four major issues that are currently on the minds of decisionmakers across the country:

> What can states do to minimize the chances that long-term welfare recipients reach a time limit on welfare benefits without any way to support themselves?
>
> How should policymakers support the efforts of low-income workers to stay in their jobs and provide for their families in this era of time-limited welfare?
>
> How can social policies avoid penalizing marriage?
>
> How do the policy changes that states have made in moving their welfare systems from AFDC to TANF affect families and children?

Interestingly, the experimental program in Minnesota that is providing this rich and relevant information was designed without time limits and long before the passage of the landmark federal welfare reform law, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. Dismayed by rising rates of child poverty, by a welfare system that was focused more on eligibility determination than on helping families to improve their circumstances, and by entry-level jobs that provided wages below the poverty line, Minnesota officials decided to move their system in a new direction.

MFIP's designers hoped that a new system that combined financial incentives to work with participation or work requirements for long-term recipients would increase work, reduce long-term welfare dependence, and reduce poverty for working families. To a remarkable degree, MFIP has achieved these goals, showing the most consistently positive results for single-parent long-term welfare recipients. For this group, the program increased work, increased earnings, reduced the use of welfare as a sole income source, reduced poverty, reduced domestic abuse, and reduced children's behavior problems and improved their school performance. Rarely is the story so consistently positive across such a wide range of outcomes for a group of families. In addition, MFIP produced a modest increase in marriage among single parents and a substantial increase in marital stability among two-parent families.

State officials were aware that this new system might cost more than the old AFDC system, and they were committed to finding out whether that investment was paying off in better outcomes for families and children. As a result, they and their government and foundation funding partners — including the staff at the U.S. Department of Health and Human Services who developed a child outcomes study spanning five state welfare reform initiatives — launched a comprehensive evaluation, one component of which was a study of MFIP's effects on children. This study is providing information to people in Minnesota and elsewhere who share a keen interest in both identifying policies that show promise for improving the outcomes of low-income children and ensuring that efforts to change the welfare system do not cause harm to already vulnerable families. Critical questions include: How does employment that results from work or participation requirements affect children? Is poverty bad for children simply because families lack money, or because of other family characteristics that are associated with poverty? What kinds of investments will improve children's outcomes — additional services for low-income families? or financial support? This study (along with two others recently released by MDRC) provides some of the most rigorous evidence available to date that *money matters*. For very disadvantaged families (in this case, single-parent long-term recipients), providing financial support to parents as they move from welfare to work can improve children's outcomes.

At the same time, the results raise important questions about the tradeoffs that are perhaps inherent in welfare reform. The program costs more than the old AFDC system, and it allows people to remain on welfare longer, because families can continue to receive some benefits while they are working. Thus, for those whose primary goal is to reduce welfare caseloads and costs, the results presented here may not look positive. For those who are willing to trade some of those caseload reductions and cost savings for increases in work, reductions in poverty, improvements in child outcomes, or increases in marriage and marital stability (a finding that is intriguing but that we would like to see replicated), the results presented here will be of great interest.

The results also raise some important issues specific to the use of financial incentives within a time-limited welfare system. The message delivered by time limits is to leave welfare as quickly as possible and to use welfare as a last resort. Is it then a coherent policy to combine time limits with financial incentives that may keep families on welfare longer than they would be without those incentives? Should states try to reconcile those two policies by mechanisms such as "stopping the time-limit clock" for parents working a certain number of hours or by providing financial incentives outside the welfare system, or should families simply be informed about the two policies and allowed to make their own decisions about how to use their allotted time on welfare?

No one state study can answer all these questions, and the jury is still out on whether other states, as well as Minnesota, that use these incentives in the context of stricter work requirements, greater sanctions, and new time limits can achieve the same results.

Those of us who evaluate social programs always harbor the hope that our work not only will provide information needed by the state or locality that asked for the study but also will be seen as relevant, and will be used, by a broader audience of decisionmakers. Thanks to the foresight of both the program's designers and the funders who supported this research — and to the cooperation of the families who participated in the evaluation — this study promises to influence our thinking about future directions for welfare reform and supports for low-income workers for some time to come.

Judith M. Gueron
President

Acknowledgments

The final report on MFIP consists of three volumes: one report on the program's impacts on adults (Volume 1); a companion report on its impacts on children (Volume 2); and a summary report. These reports and MDRC's other reports evaluating the MFIP program reflect the contributions of numerous people over several years.

MFIP managers and their staff in the seven counties in Minnesota provided crucial support to the evaluation and played an important role by implementing the random assignment process that was fundamental to the research design. In addition, from 1994 to the present, they have been unfailingly cheerful and accommodating in providing MDRC researchers with insights into the program's implementation and operation.

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role in developing the child survey instrument, informing the conceptual framework and providing valuable feedback during various stages of the report on children.

At MDRC, Barbara Goldman, MFIP's initial Project Director, has guided the evaluation from the outset, and over the years provided comments and insights to help shape the analysis and the reports. Gordon Berlin, David Butler, Judith Greissman, Judith Gueron, and Charles Michalopoulos provided helpful comments and advice on drafts of the reports. Robert Granger and Pamela Morris provided ongoing advice and comments on the report on children.

Lynn Miyazaki and Irene Robling managed the random assignment design and created the analysis files. Ms. Miyazaki also provided critical support in helping to obtain and process several key data files. Gregory Hoerz and Adria Gallup-Black served as liaisons to the survey subcontractor, Research Triangle Institute, and oversaw the survey effort. Debbie Romm designed and managed the development of the database system used to collect and structure the administrative data used in the impact analysis. Galina Farberova and Ken White processed administrative records. Charles Daniel, Joyce Dees, Donna George, Marguerite Payne, Carmen Troche, and Ngan Lee, with supervision from Shirley James, handled random assignment calls and processed baseline forms.

The evaluations's final reports benefited from the high-quality analysis and good-humored teamwork of five research assistants: Jared Smith was the lead programmer for the child analysis, processing and analyzing the survey data, and also processed the welfare and earnings records data and created programs for the adult impact analysis; David Seith wrote programs to process and analyze data from the client survey; Leslie Sperber collected and helped analyze data for the benefit-cost analysis and collected data from divorce records; Emily Danyluk assisted in the development of the benefit-cost estimates; and Chris Henrichson collected data from divorce records, coordinated the production of the reports, fact-checked text and tables, and ensured that the report process kept on schedule.

Bob Weber edited the reports, and Stephanie Cowell did the word processing.

The Authors

Executive Summary

In 1994, the state of Minnesota began a major welfare reform initiative aimed at encouraging work, reducing dependence on public assistance, and reducing poverty. The Minnesota Family Investment Program (MFIP) differed from the Aid to Families with Dependent Children (AFDC) system in three key ways:

- **Financial incentives to work.** In MFIP, more earnings were disregarded when calculating grant levels, and child care payments were paid directly to providers.
- **Participation requirements for long-term recipients.** If not working full time, long-term welfare recipients had to participate in services designed to move them quickly into the workforce.
- **Simplification of rules and procedures.** MFIP combined AFDC, Food Stamps, and the state-run Family General Assistance (FGA) program into a single program with one set of rules and procedures and one monthly payment.

A central concern surrounding the recent wave of welfare reforms is how children will fare if their parents are subject to such policies as work mandates, time limits, and enhanced earnings disregards. Although research in child development suggests that children are affected by changes in their parents' employment, income, and other aspects of the family environment, the net effects of these types of programs are not well understood. The findings in this report present one of the first looks at the effects of an innovative welfare reform policy on children. It also provides an unusual opportunity to more broadly assess how changes in income and employment can affect children's outcomes.

MFIP began operating in April 1994 in three urban and four rural Minnesota counties, and the Manpower Demonstration Research Corporation (MDRC), under contract with the Minnesota Department of Human Services (DHS), has been tracking its implementation and effects. Between April 1994 and March 1996, over 14,000 families were assigned at random, using a lottery-type process, to either the MFIP or the AFDC system. This study, which focuses on family and child well-being, follows a sample of families in the urban counties of the MFIP evaluation who had a child age 2 to 9 at the time of random assignment. MFIP's effects on families and children are assessed by comparing the outcomes for the experimental group (MFIP) and the control group (AFDC) three years after they entered the evaluation. *Reforming Welfare and Rewarding Work: Final Report on the Minnesota Family Investment Program, Effects on Adults*, Volume 1 of the final report on MFIP, discusses adults in the study and focuses on MFIP's effects on such economic outcomes as employment, earnings, welfare receipt, and income for the full evaluation sample.[1]

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[1] C. Miller, V. Knox, L. Gennetian, M. Dodoo, J. A. Hunter, and C. Redcross, *Reforming Welfare and Rewarding Work: Final Report on the Minnesota Family Investment Program*, Vol. 1, *Effects on Adults* (New York: Manpower Demonstration Research Corporation, 2000).

I. Findings for Long-Term Recipients

Long-term recipients in this report are identified as those single mothers who had been on welfare for at least 24 of 36 months prior to random assignment. These single mothers were required to participate in employment-related services at the onset of the study.

- **Children in MFIP exhibited fewer behavioral problems and did better in school.** Compared with mothers in AFDC, single mothers in MFIP reported that their children exhibited fewer problem behaviors, such as being cruel, disobedient, or moody, and performed better and were more engaged in school. Although the improvements in these outcomes were moderate to small in magnitude, they are likely to have important implications for the future well-being of these children.

- **Mothers in MFIP were more likely to work and had higher incomes.** Throughout the three-year period, single mothers in MFIP, relative to those in AFDC, were more likely to work, earned more, and had higher incomes from earnings and welfare. About half the mothers who got jobs because of MFIP worked part time, and the other half worked full time. Most worked in moderate-wage jobs, and most stayed employed consistently.

- **Children in MFIP were more likely to be placed in child care, particularly child care centers, and they were more likely to have continuous health insurance coverage.** Single mothers in MFIP were more likely than mothers in AFDC to have used child care during the three-year period, especially formal care. Most of the mothers who used formal child care because of MFIP used it consistently. Children in MFIP were also more likely to have been covered consistently by health insurance, primarily Medicaid or MinnCare. The increase in consistent coverage most likely reflects the fact that, with MFIP's financial incentives, families were more likely to remain in the welfare system during the three-year period.

- **Mothers in MFIP were more likely to marry and less likely to experience domestic abuse.** Mothers in MFIP were more likely than those in AFDC to report being married at the three-year mark. They were also significantly less likely to report experiencing domestic abuse, by intimate partners and unrelated individuals, during this time.

II. Findings for Recent Applicants

Recent applicants in this report are identified as those single mothers who were new applicants to welfare or who had been on welfare for less than 24 months before random assignment.

- **Children in MFIP generally fared similarly to other children.** Single mothers in MFIP reported somewhat similar levels of behavioral problems and school progress for their young children as did mothers in AFDC.[2] Young children in MFIP also were more likely to have been covered consistently by health insurance during the three-year period.
- **Mothers in MFIP were only slightly more likely to work and did not have higher earnings or incomes, and they experienced few other changes in their well-being.** Throughout the three-year period, most mothers in this group faced *only* the enhanced financial incentives, because the mandate to participate in employment-related services was targeted to long-term recipients. In general, MFIP had little effect on mothers' earnings and income and no effect on other outcomes, such as marriage, depression, and domestic abuse.

III. Conclusions

The findings indicate that encouraging long-term welfare recipients to work through a combination of financial incentives and a mandate to participate in employment-related services can have a range of positive effects on families and young school-age children. In addition, analyses presented in the report show that the key to producing these positive effects was allowing working mothers to keep more of their benefits. These enhanced financial incentives were critical to both increasing families' incomes and improving child outcomes.

Not all the mothers who went to work because of MFIP worked full time; many worked part time, and this may be an important part of the story. MFIP required mothers to work at least 30 hours per week if they were not participating in employment services, or 20 hours per week if they had a child under age 6. Many single mothers receiving welfare — particularly those with limited work experience — may have trouble balancing the demands of working full time and raising young children. It is possible that a program requiring all recipients to work full time would produce fewer positive effects on children.

MFIP had few effects on children in families who were new to welfare, which is not surprising because it had few effects on mothers' employment or other aspects of their well-being. During most of the three-year period, the majority of recent applicant families were given only the enhanced financial incentives, because the mandatory employment-related services were targeted to long-term recipients. In fact, analyses presented in the report suggest that offering financial incentives alone and no services to find a job may have had some negative effects on recent applicant families, by increasing mothers' stress and depression, especially among those mothers who wanted to enter employment but did not know how. Many mothers apply for welfare following the birth of a child, divorce, or job loss, and allowing them to mix work with welfare longer than they would otherwise, or encouraging them to work before they feel ready to, may partly explain the negative effects.

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[2] Adolescent children in MFIP fared less well on some measures of schooling.

In 1998, Minnesota implemented a modified version of MFIP statewide (MFIP-S) to replace its AFDC system, and these findings provide a starting point for predicting its potential effects. The new program differs from MFIP in two key ways: (1) the financial incentives are somewhat less generous, and (2) recipients are required to work 35 hours per week or to participate in employment-related services after only six months of welfare receipt. Because the financial incentives are fairly similar to those in the original program, MFIP-S is still expected to increase working families' incomes and reduce poverty. The 35-hour work requirement may be an important difference, and program designers should continue to evaluate its effects on mothers and children. Finally, placing the participation mandate sooner might move more mothers who have recently applied for welfare into work and might have positive effects on children. However, many families apply for welfare as the result of a new birth, divorce, or job loss, and the effects of immediate incentives and mandates on families in the midst of upheaval are difficult to predict.

Table ES1

Summary of MFIP's Impacts for Long-Term Recipients in Urban Counties

Outcome	MFIP	AFDC	Impact (Difference)
Child Outcomes			
Behavioral Problems Index	11.2	12.7	-1.5 *
Positive Behavior Scale	194.2	193.7	0.5
Child's health rated by mother as very good or excellent (%)	75.0	77.8	-2.8
Any child have accident/injury that required a visit to an emergency room or clinic? (%)	44.0	36.9	7.1 *
Performance in school	4.1	4.0	0.2 *
Engagement in school	10.2	9.9	0.3 **
Direct Outcomes			
Average quarterly employment rate (%)	72.8	57.7	15.1 ***
Average annual earnings ($)	4,657	3,906	751 *
Average annual welfare benefit ($)	7,014	6,458	556 **
Average annual income from benefits and earnings ($)	11,671	10,364	1,307 ***
Intermediate Outcomes			
Children continuously covered by health insurance during past 36 months (%)	75.5	67.0	8.5 **
Formal child care (%)	52.8	42.3	10.6 ***
Informal child care (%)	75.2	67.7	7.5 *
Total HOME scale	75.7	75.5	0.2
Currently married (%)	11.3	6.2	5.0 **
Mother ever abused in last 3 years (%)	49.1	59.6	-10.5 **
Mother at high risk of clinical depression (%)	28.8	31.6	-2.8
Parenting behavior			
Aggravation scale	1.8	1.9	-0.1
Warmth scale	3.4	3.5	0.0
Harsh-parenting scale	1.7	1.7	0.0
Supervision scale	4.7	4.5	0.1 **
Sample size (total = 587)	306	281	

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records, public assistance records, and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who were on welfare for two years or more prior to random assignment and had a focal child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for an explanation of the outcomes.

Table ES2

Summary of MFIP's Impacts for Recent Applicants in Urban Counties

Outcome	MFIP	AFDC	Impact (Difference)
Child Outcomes			
Behavioral Problems Index	10.8	9.8	1.0
Positive Behavior Scale	196.8	200.0	-3.2
Child's health rated by mother as very good or excellent (%)	77.2	78.7	-1.4
Any child have accident/injury that required a visit to an emergency room or clinic? (%)	44.8	43.5	1.4
Performance in school	4.2	4.3	-0.1
Engagement in school	10.2	10.4	-0.2
Direct Outcomes			
Average quarterly employment rate (%)	74.6	71.2	3.3
Average annual earnings ($)	6,817	7,438	-620
Average annual welfare benefit ($)	4,530	3,772	757 ***
Average annual income from benefits and earnings ($)	11,347	11,210	137
Intermediate Outcomes			
Children continuously covered by health insurance during past 36 months (%)	69.9	62.7	7.2 *
Formal child care (%)	53.7	48.8	4.9
Informal child care (%)	73.9	76.6	-2.7
Total HOME scale	78.4	78.7	-0.3
Currently married (%)	23.5	20.8	2.7
Mother ever abused in last 3 years (%)	48.6	49.1	-0.4
Mother at high risk of clinical depression (%)	22.0	20.6	1.5
Parenting behavior			
Aggravation scale	1.8	1.7	0.0
Warmth scale	3.5	3.4	0.1
Harsh-parenting scale	1.7	1.5	0.1 **
Supervision scale	4.6	4.6	-0.1
Sample size (total = 517)	258	259	

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records, public assistance records, and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who were on welfare for two years or more prior to random assignment and had a focal child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for an explanation of the outcomes.

Chapter 1

Introduction and Hypotheses

I. Introduction

In 1994, the state of Minnesota began a major welfare reform initiative aimed at encouraging work, reducing dependence on public assistance, and reducing poverty. The program attempted to achieve its goals with a two-part approach: (1) financial incentives to encourage work and (2) mandatory participation in employment-focused activities for long-term welfare recipients. Minnesota's approach to welfare reform differed from earlier programs in that it placed equal emphasis on increasing employment and making families better off. Underlying the design of the program was a desire not only to affect the employment behavior of adults but also to improve the lives of children. Poverty rates had increased for families with children since the mid-1970s; at the same time, welfare benefits under the Aid to Families with Dependent Children (AFDC) system had not kept pace with inflation. In 1997, one in five children in the United States lived in poverty (Annie Casey Foundation, 1997).

The desire to improve the lives of children is implicit in many of the welfare reform programs being implemented across the country. Yet little is known about the effects of welfare and employment policies (such as work mandates, time limits, and enhanced earnings disregards) on children's well-being, in part because the ways in which family income and mothers' employment affect children are not well understood. Children may benefit from welfare reform, for example, if their parents respond to work incentives by increasing their earnings and becoming self-sufficient. Alternatively, children may bear the costs of reform if their mothers' employment adds stress to the family or exposes them to poor-quality child care.

Before passage of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), a number of states were granted federal waivers to implement and test innovative welfare reform policies. This report presents one of the first looks into the effects on children of one such policy — the Minnesota Family Investment Program (MFIP).[1] It also provides some of the only experimental evidence available about the effects of providing increased income to working-poor families. MFIP's random assignment design provides a powerful tool for examining the effects of MFIP on a variety of family and child outcomes. This type of evidence about the effects on children of policies that increase income is rare. Furthermore, the lessons that Minnesota has learned in the process of implementing MFIP and rigorously evaluating its results will be of value nationally, as states try to respond thoughtfully to the new flexibility provided to them under PRWORA.

MFIP was first implemented on a field trial basis in April 1994, in the three urban counties of Anoka, Dakota, and Hennepin (Minneapolis) and the four rural counties of Mille Lacs, Morrison, Sherburne, and Todd. The Minnesota Department of Human Services (DHS) contracted with the Manpower Demonstration Research Corporation (MDRC) to evaluate the new program. Minnesota's initial experiences with MFIP culminated in the passage of legislation that established a revised version of MFIP as Minnesota's plan under Temporary Assistance for Needy Families (TANF), the federal public assistance program that has replaced (AFDC). The current statewide MFIP program (MFIP-S) is described later in this chapter. Although this report evaluates only the version of MFIP that was implemented in 1994, many components of the two programs are similar.

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[1] The MFIP child study is the first of five state reports to be issued by MDRC and other evaluators participating in the Project on State-Level Child Outcomes, a cross-state project aimed at measuring the effects of state welfare reform initiatives on family and child well-being.

The full evaluation of MFIP's effects are presented in two companion reports and a summary document. *Reforming Welfare and Rewarding Work: Final Report on the Minnesota Family Investment Program*, Volume 1, *Effects on Adults* (Miller et al., 2000), presents MFIP's effects on parents' participation in employment-related activities, employment and earnings, welfare receipt, and income.[2] Briefly, the results from Volume 1 indicate that MFIP significantly increased employment, earnings, and income for single parents in the urban counties who had been receiving welfare for two years or more when they entered the evaluation. For single parents who had started receiving welfare more recently, MFIP modestly increased employment rates and increased incomes by allowing participants to keep more of their welfare benefits while they worked. MFIP reduced the labor supply effort of one parent in two-parent families, and it increased marital stability.

This report is Volume 2 of the study and examines MFIP's effects on children using a sample of single-mother families[3] with preschool- and school-age children who entered the evaluation between April and October 1994. The effects of MFIP are evaluated by comparing outcomes for families randomly assigned to MFIP with outcomes for families randomly assigned to the AFDC system. Data on family and child well-being were obtained from a survey administered to the families three years after they entered the program. The survey collected information on child and family well-being, including family employment and income; parents' psychological well-being and parenting practices; and children's behavior, health, and school progress.

This report contributes to emerging results on the implications of welfare reform interventions for child and family well-being.[4] As a program that aims to increase both employment and income, the results from MFIP provide a snapshot not only of the effects of similar antipoverty programs on children but also of the effects of maternal employment and income on the well-being of children.

To set the context for the MFIP child evaluation, Section II of this chapter outlines the main components of the MFIP model, and Section III describes the MFIP evaluation. Section IV presents a conceptual model to illustrate how MFIP may affect children, and Section V lays out the key policy questions to be addressed. Then Section VI discusses the economic and policy contexts of the MFIP evaluation. The chapter ends with a brief discussion of how the report is organized.

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[2] Volume 1 primarily examines the effects of MFIP on employment, employment characteristics, and income and includes a cost-benefit analysis for all single-parent and two-parent families included in the MFIP evaluation.

[3] Technically, it is only the mother, not the whole family, who is in the research sample.

[4] Some examples of emerging results include the effects on children from the Canadian Self-Sufficiency Project (Morris and Michalopoulos, 2000), the National Evaluation of Welfare-to-Work Strategies (McGroder et al., 2000), and Milwaukee's New Hope Project (Bos et al., 1999). Although none of these studies is explicitly about post-1996 welfare reform in the United States, all of them evaluate components of interventions that are similar to strategies being used in current welfare reform initiatives.

II. The MFIP Model

As implemented in 1994, MFIP integrated several programs in the Minnesota welfare system. These included (1) AFDC (the core of the traditional system); (2) STRIDE, the state's employment and training program, which operated on a voluntary basis for certain targeted groups of AFDC recipients;[5] (3) the state-run Family General Assistance (FGA) program, which allowed some low-income families to qualify for welfare who would not have qualified under AFDC; and (4) the federally funded Food Stamp program, which provided assistance in the form of coupons to be spent on food.[6] MFIP did not replace or change Medicaid, the federal-state health program serving low-income families, which was available equally to recipients of MFIP or AFDC.

In 1994, under AFDC, a single mother received a monthly grant including cash benefits, Food Stamp coupons, and Medicaid. If she worked, her welfare grant was reduced as she earned income, by an amount that increased over time. A parent with two children was no longer eligible for assistance after her monthly earnings reached $1,487. All nonexempt new AFDC recipients (those not caring for a child under age 3 or not working for at least 30 hours per week) received an orientation to the STRIDE program, which provided education, training, and other services. Those in a STRIDE "target group" were eligible to volunteer for STRIDE.[7] A woman who volunteered for STRIDE met with a case manager to develop a self-sufficiency plan aimed at securing a job at a wage rate high enough to move her family off assistance and out of poverty.

Box 1.1 summarizes the primary components of the MFIP model and compares MFIP with the AFDC system. (A more complete comparison is provided in Appendix A, Table A.1.) MFIP differed from the AFDC system in three fundamental ways:

- **MFIP made work pay for families on welfare.** In both MFIP and AFDC, welfare benefits decreased as earned income rose, although a certain amount of income was disregarded (that is, not counted) when benefits were calculated. Working families in MFIP, however, kept more of their monthly financial benefits because more of their earnings were disregarded when their benefit amount was calculated. Moreover, whereas the AFDC earnings disregards decreased over time, the relatively higher benefits for working MFIP families were available as long as the family stayed in MFIP. MFIP's more generous earnings disregard ensured that working always resulted in more income than not working.[8]

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[5] STRIDE was operated with funding from the Job Opportunities and Basic Skills Training (JOBS) program, which was established by the Family Support Act of 1988 and designed to move people from welfare to work through education, training, and work experience.

[6] Throughout this report, the terms "welfare" and "public assistance" are used to represent the range of benefits that were provided at the time in either the MFIP or the AFDC system, including MFIP, AFDC, FGA, and Food Stamps.

[7] This included women who were on welfare for 36 of the past 60 months, were under age 24, and did not have a high school diploma or its equivalent; it also included women who were within two years of becoming ineligible for aid because their youngest child was 16 or older.

Box 1.1

Key Components of the MFIP Model Compared with AFDC

MFIP	AFDC
Financial work incentives: recipients eligible for welfare until income reaches 140 percent of the poverty level	Sharp reduction in benefits as earnings rise
Employment and training participation requirement for single parents receiving assistance for 24 of the past 36 months	Voluntary, education-focused STRIDE program
Child care subsidies paid directly to provider if recipient working while on welfare	Child care reimbursed through grant
Consolidation of AFDC, Food Stamps, and Family General Assistance; Food Stamps cashed out	Separate programs with different rules

For example, a single parent with two children who had no income from work received the same amount of welfare benefits ($769 in 1994) under MFIP or under AFDC. If she worked 20 hours per week at $6 per hour, her grant was reduced by $237 less under MFIP than it would have been under AFDC. This raised the reward for working — the difference in total income between working and not working — from $255 to $492, an increase of 93 percent. If she worked 40 hours per week, the reward for working increased by 27 percent. Compared with the AFDC system, MFIP provided not only an incentive to work but also a relatively greater incentive to work part time than full time. MFIP allowed families to continue to receive supplemental benefits while they worked, until their income reached approximately 140 percent of the poverty level.

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[8] MFIP's benefit structure was more generous than AFDC's in several ways besides the enhanced earned income disregard. First, in MFIP, earnings were budgeted retrospectively so that the first two months of earnings after starting a job were not counted against the MFIP grant. Second, if a person faced a significant loss in earnings because of losing a job, the MFIP grant was immediately increased to make up for that loss. Finally, even for families without earnings, some changes in eligibility rules were to the benefit of MFIP families. In particular, the basic MFIP grant at the time assumed that all families would have received the maximum Food Stamp shelter deduction if they had been in the Food Stamp program.

MFIP also encouraged work by paying child care expenses directly to the provider, leaving no up-front costs. Under the AFDC program, families were required to pay for child care up front, and they were subsequently reimbursed — a process that could take up to two months. The actual amount of the child care reimbursement was the same under MFIP and AFDC.

- **MFIP required long-term welfare recipients to participate in employment and training services.** Many public assistance recipients left welfare quickly on their own, while others were expected to respond to MFIP's financial incentives by finding jobs. To target services and control costs, only single parents who received welfare benefits for two of the past three years were required to participate in MFIP's employment and training activities, unless they were working more than 30 hours per week, had a child under age 1, or met other "good cause" criteria. Single-parent recipients of AFDC were under no such obligation. MFIP included a menu of job search, short-term training, and educational activities. MFIP differed from STRIDE in that STRIDE was essentially a voluntary program and had a strong focus on education and training, whereas MFIP was mandatory and had a strong focus on rapid entry into employment.[9] Individuals who failed to comply with the participation mandate in MFIP were sanctioned — that is, their monthly welfare payments were reduced by 10 percent.

- **MFIP consolidated benefits and simplified public assistance rules and procedures.** MFIP simplified public assistance rules and procedures by combining AFDC, Minnesota's Family General Assistance (FGA), and Food Stamps into a single program and by providing Food Stamps as part of the cash grant.

Program rules were especially simplified for two-parent families, the majority of whom faced multiple work requirements in order to be eligible for the AFDC-Unemployed Parent (AFDC-UP) program. MFIP streamlined eligibility rules for two-parent families, and these streamlined rules also benefited any parent who was single at the time of random assignment and then married the father of her child while receiving MFIP benefits.

III. The MFIP Evaluation

MFIP was implemented as a field trial on April 1, 1994. To evaluate the effects of MFIP relative to the AFDC system, a random assignment design was used. Between April 1994 and March 1996, over 14,000 applicants for and recipients of public assistance were randomly assigned to either the AFDC system or the MFIP system.

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[9] Only the initial orientation to STRIDE was mandatory.

In order to assess the effects of MFIP on family and child well-being, single-mother families were followed for three years, to obtain information on welfare receipt, employment, earnings, income and poverty, and a variety of other measures. MFIP's impacts on each of these measures were estimated by comparing average outcomes across the research groups. The difference in outcomes between the MFIP group and the AFDC group reflects the "impact" of MFIP. The process of random assignment provides a powerful tool for estimating program impacts in this fashion. Because families were randomly assigned to different research groups, any resulting differences in outcomes across groups should be driven only by the program intervention.

A. Research Groups

Single-parent families in the urban counties (Anoka, Dakota, and Hennepin) were assigned to one of three research groups: MFIP, AFDC, or MFIP Incentives Only.[10] Figure 1.1 presents MFIP's random assignment design in urban counties.

1. MFIP. All single-parent families assigned to the MFIP group received the full MFIP program (MFIP benefits and financial incentives). After they had received public assistance for 24 of the past 36 months, they were required to participate in MFIP's employment and training services.

2. AFDC. Single-parent families assigned to the ADFC group were eligible for the typical benefits and services offered by Minnesota's AFDC and STRIDE programs. They were subject to the financial rules of the AFDC system and, if in a STRIDE target group, were eligible to volunteer for STRIDE services.

3. MFIP Incentives Only. This third research group was created for the purpose of the evaluation in order to help disentangle the effects of MFIP's two components — financial incentives and mandatory employment and training services. Single-parent families assigned to this group received MFIP benefits and financial incentives; the rules regarding the incentives were explained to them at their initial eligibility interviews. In addition, if eligible, they could volunteer to participate in STRIDE services. Members of this group were not subject to time-triggered, mandatory services and were not eligible for MFIP employment and training services. "MFIP Incentives Only" is used as shorthand to depict all of MFIP's financial changes (including the enhanced earned income disregard, the Food Stamp cash-out, changes in child care reimbursement, and other eligibility changes).

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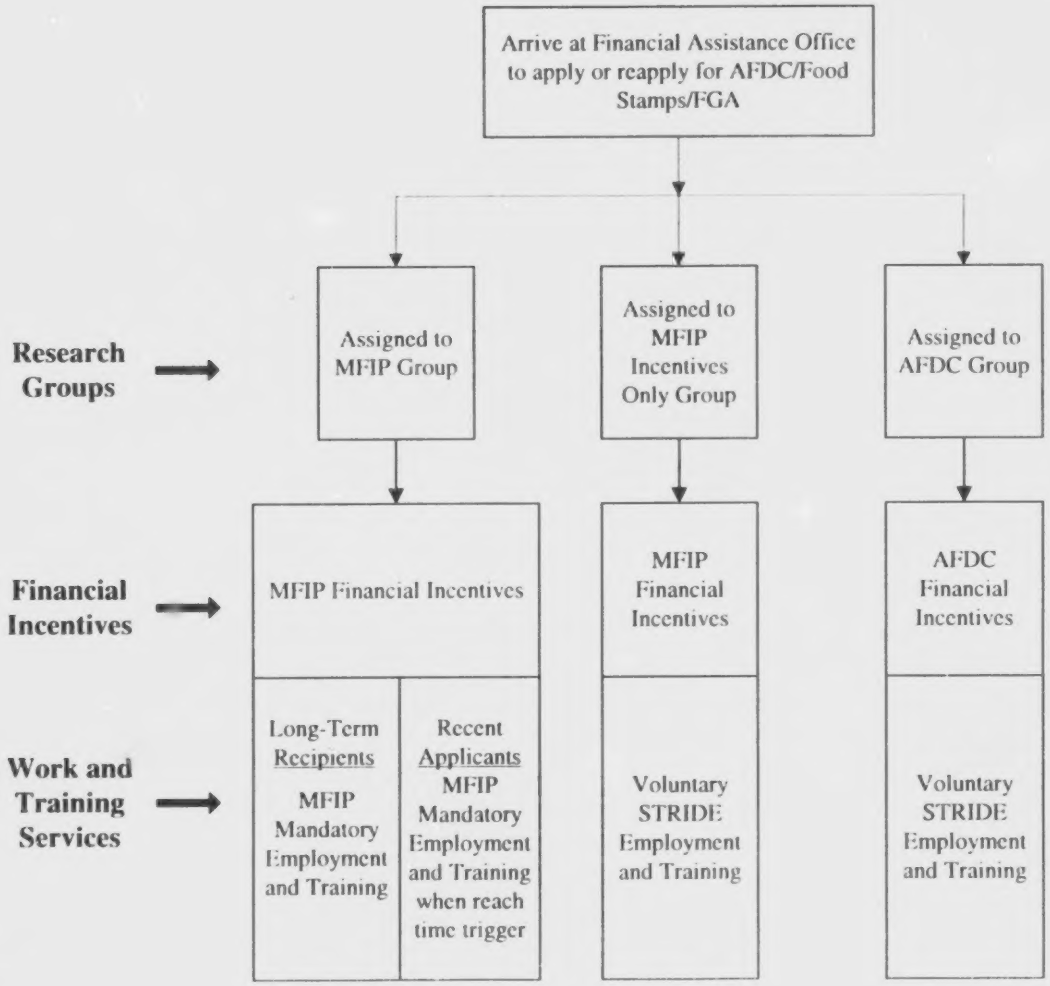
[10] Single-parent families in the rural counties and two-parent families were randomly assigned to only two research groups: MFIP and AFDC. Actually, single-parent families in Hennepin County were assigned to *four* research groups: MFIP, MFIP Incentives Only, AFDC with STRIDE, or AFDC without STRIDE. But the evaluation did not include a full-scale analysis of the fourth group, and none of these families were included in the sample analyzed for this report.

Figure 1.1

MFIP Child Report Random Assignment Design in Urban Counties


Arrive at Financial Assistance Office to apply or reapply for AFDC/Food Stamps/FGA
Research Groups
Assigned to MFIP Group
Assigned to MFIP Incentives Only Group
Assigned to AFDC Group
Financial Incentives
MFIP Financial Incentives
MFIP Financial Incentives
AFDC Financial Incentives
Work and Training Services
Long-Term Recipients
MFIP Mandatory Employment and Training
Recent Applicants
MFIP Mandatory Employment and Training when reach time trigger
Voluntary STRIDE Employment and Training
Voluntary STRIDE Employment and Training

The first two groups are of primary interest in this evaluation and are key to describing MFIP's overall impacts. A comparison of outcomes between the MFIP and AFDC groups will answer the question, *What is the impact, when compared with the AFDC system, of providing and marketing financial incentives in combination with time-triggered mandatory employment and training services?*

A comparison of outcomes for the MFIP Incentives Only and AFDC groups will answer the question, *What is the impact, when compared with the AFDC system, of offering MFIP's financial incentives without the mandatory employment and training services?*

A comparison of outcomes for the MFIP and MFIP Incentives Only groups will answer the question, *What is the impact, when compared with the AFDC system, of adding mandatory services and a reinforced incentive message to the financial incentive?* The MFIP and MFIP Incentives Only groups received the same financial incentives to work, but members of the MFIP group were required to participate in employment services (when they became eligible), in which the financial incentives message was reinforced ("marketed") further. The decomposition of MFIP's impacts does *not* answer the question, *What are the effects of mandatory services alone?* To answer that question would require a comparison between the AFDC group and a group that received MFIP's mandatory services with no financial incentives. The effects of adding mandatory services to existing financial incentives could be larger or smaller than the effects of providing mandatory services in the absence of financial incentives. A more detailed discussion about the predicted effects of adding mandatory services compared with providing financial incentives alone is in Chapter 4.

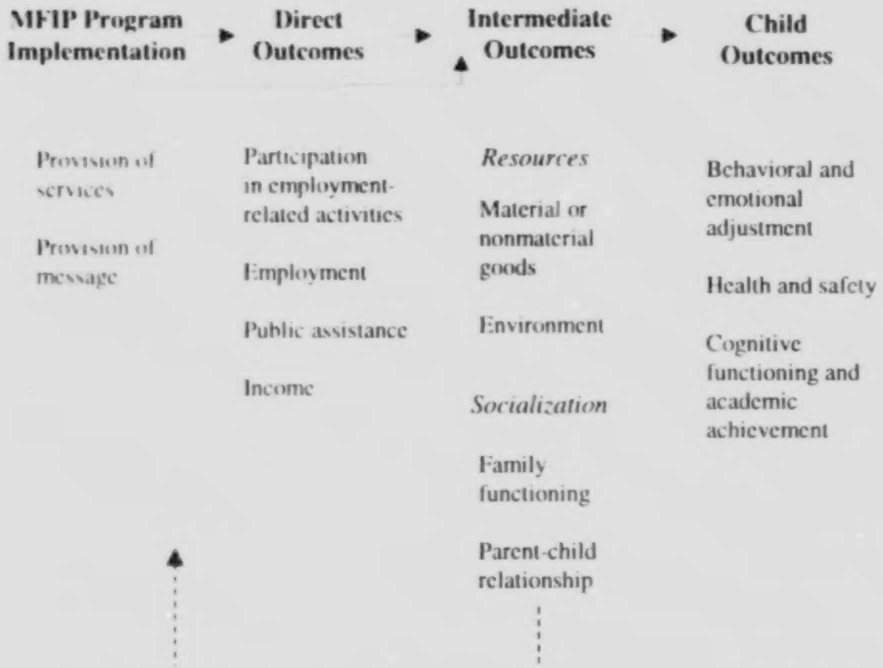
Although these research groups were described for single parents, recipients' status as single parents could change during the course of the evaluation. If a single mother in MFIP married the father of one of her children during the evaluation, the parents became an MFIP two-parent family. If they received public assistance for 6 of the past 12 months, one earner in that family was required to participate in MFIP's employment and training services. A single mother in MFIP who married someone other than the father of her child remained an MFIP single-parent family, and the stepfather income disregard was higher than under the AFDC system.

IV. How May MFIP Affect Children?

Even though MFIP was designed primarily to affect the employment behavior of adults, it may also affect children's well-being in a number of ways; for example, MFIP's effects on the employment and income of single mothers are two important factors. Figure 1.2 presents a conceptual model of the hypothesized effects of MFIP on child outcomes. The first column of this model emphasizes the primary components of the MFIP model: effectively communicating the program's benefits (for example, all of MFIP's financial incentives) and its work requirements (including sanctions for not meeting participation requirements). As shown in the second column of the model, effective implementation is critical to MFIP's success in significantly affecting employment, earnings, and income of single-parent families. The model proposes that MFIP's benefits, messages, services, and requirements affect the direct outcomes of the program — employment, income, and receipt of welfare. These, in turn, affect such "intermediate outcomes" as

Figure 1.2

Conceptual Model of the Effects of MFIP on Child Outcomes


MFIP Program Implementation
Direct Outcomes
Intermediate Outcomes
Child Outcomes
Provision of services
Provision of message
Participation in employment-related activities
Employment
Public assistance
Income
Resources
Material or nonmaterial goods
Environment
Socialization
Family functioning
Parent-child relationship
Behavioral and emotional adjustment
Health and safety
Cognitive functioning and academic achievement

Intermediate outcomes may affect participation, public assistance, and income.

NOTE: Outcomes within each column may also interact with or influence each other.

child care, family structure, and parenting (the third column), which then may affect children's behavior, academic achievement, and health and safety (the fourth column).[11]

Theories developed from economics, sociology, and psychology provide a framework for thinking about how MFIP may affect children. These theories are depicted in the third column of the model via two primary pathways: resources and socialization. The *resources pathway* hypothesizes that changes in employment and income or changes in the provision of benefits or services may lead to changes in access to material and nonmaterial resources. For example, with increased income, parents may be able to buy more or better food, or books and other educational materials, or may invest in their child's education. The *socialization pathway* hypothesizes that changes in employment and income or in provision of benefits or services may lead to changes in family functioning, parenting practices, and the presence of role models. For example, increased stress may accompany the increased demands on balancing work and family, and this may lead to changes in parenting. The outcomes that are affected by the resources pathway or the socialization pathway are termed "intermediate" in Figure 1.2. Some of them are measured in this study, including material resources, child care, and family structure. Others, such as objective observations of parent-child interaction, are not measured. Although some intermediate outcomes may clearly affect children via either one of these pathways, others may affect children via both pathways. For example, household composition may affect children by changing both the availability of material resources in the home and the character of the parent-child relationship.

As a conceptual model, Figure 1.2 simplifies the complex ways in which MFIP may affect family and child outcomes and the multiple interactions and influences that these outcomes may have on each other. It is feasible that some components of the MFIP intervention may have a direct effect on intermediate outcomes. For example, by altering the payment form for child care assistance, MFIP may have an effect on child care use or the type of child care used, independent of its effect on employment. In addition to affecting children's well-being, the resources and socialization pathways may have feedback effects on MFIP's direct outcomes. For example, parents' access to child care and their enhanced self-esteem may influence their employment as well as children's well-being. The primary goal of this report is to assess whether MFIP has an impact on child outcomes. Although the analysis in this report will not be able to determine conclusively the causal pathways by which MFIP affects child outcomes, the pattern of program impacts may inform us about some of the probable causal pathways.[12]

Emerging results from other experimental evaluations of welfare, employment, and antipoverty programs provide some benchmark for predicting how MFIP may affect children.[13] Experimental programs that primarily increased employment — such as the labor force attachment (LFA) programs in the 11 sites of the National Evaluation of Welfare-to-Work Strategies (NEWWS) — found few impacts on children at the two-year follow-up point (Hamilton, 2000; McGroder et al., 2000). Other experimental programs that increased family income as well as employment — such as the New Hope Project for low-income families in Milwaukee, Wisconsin, and the Canadian Self-Sufficiency Project (SSP) — generally found neutral or positive impacts on child outcomes, especially for young school-age children (Bos et al., 1999; Morris and Michalopolous, 2000).

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[11] Note that MFIP may also affect children even if it has no impact on parents' employment, earnings, or income. For example, program group members may feel more stressed or anxious after hearing about the program's participation requirements, and this stress may affect parent-child interaction, which, in turn, may affect children's well-being.

[12] Future work, largely through MDRC's Next Generation Project, will explore the multiple ways in which MFIP's impacts mediated its effects on children.

[13] The results from the New Chance Demonstration and the Teenage Parent Demonstration are also informative, although both evaluations focused on teen mothers. New Chance had no effect on mothers' employment, welfare receipt, or training credentials and had no effect on children's preschool readiness; it had small negative effects on maternal ratings of children's behavior (Quint, Bos, and Polit, 1997). The Teenage Parent Demonstration had posi-
(continued)

More specific selected hypotheses about how MFIP may affect child outcomes are discussed below. These hypotheses focus on how MFIP's effects on employment, income, and child care may affect children's well-being. Each hypothesis is followed by a brief review of the relevant empirical literature. As previously discussed, MFIP may also affect a number of intermediate outcomes, such as marriage, parenting, and home environment. The literature relevant to these outcomes is discussed in later chapters of this report, when the impact results for each outcome are presented and interpreted. It is important to note that much of the review of empirical literature is not based on data from experimental evaluations. Consequently, in many of these nonexperimental studies, unmeasured characteristics of the families of children may confound the findings. For example, poor and nonpoor families may differ by characteristics other than their poverty, such as the ability to work, and these characteristics may be driving the difference between poor and nonpoor children. Nonetheless, a literature review informs the main hypotheses about how MFIP may affect children and highlights the contribution of this study to current knowledge about the effects of income and employment on the well-being of low-income children.

- **By increasing family income and reducing child poverty, MFIP may improve children's well-being.**

Reducing or eliminating the time a child lives in poverty may have large and lasting benefits. Children in poverty are more likely to experience poor health, to score lower on standardized IQ and achievement tests, and to be retained in grade and to drop out (Smith, Brooks-Gunn, Lee, and Klebanov, 1997; Haveman and Wolfe, 1995). These associations are especially strong for those children in persistent poverty, who experience poverty during the early childhood years, and for children in very poor families, that is, whose family income is 50 percent of the poverty level (Smith, Brooks-Gunn, Lee, and Klebanov, 1997; Duncan, Brooks-Gunn, and Klebanov, 1994; Duncan and Brooks-Gunn, 1997a). The effects of poverty may also vary for different domains of child development; the effects on emotional outcomes are not as large as those on cognitive outcomes (Duncan and Brooks-Gunn, 1997a).

- **By increasing employment, MFIP may affect children in a variety of ways, particularly by increasing their time spent in child care and in out-of-school or unsupervised activities. The effect of parents' increased employment on children's well-being is ambiguous.**

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tive effects on teen mothers' schooling and employment, although these impacts faded during a four-year follow-up, and it had no effect on children's well-being (Kisker, Rangarajan, and Boller, 1998).

Long-term recipients (those on welfare for two years or more) are required in MFIP to participate in mandatory employment and training activities and are exempt only if they already work 30 hours or more per week. Some mothers of children under age 6 who were working 20 hours or more per week were required to participate only in case management. Furthermore, MFIP's financial incentives alone provided an incentive to work, particularly part time. In general, MFIP participants may be more likely to participate in the labor force or to increase their hours of employment. Although this leaves mothers with less time to spend with their children, it also provides more income for mothers to spend on their children. The following hypotheses focus on the effects of maternal employment per se.

The research about the effects of maternal employment on children's well-being focuses on whether or not maternal employment — or the absence of the mother as a primary caregiver -- has a detrimental effect, particularly during a child's infant and toddler years. With the exception of some negative effects during a child's first year of life and on boys, this research generally finds that maternal employment has few detrimental effects on child outcomes (Baydar and Brooks-Gunn, 1991; Desai, Chase-Lansdale, and Michael, 1989; Harvey, 1999; Haveman and Wolfe, 1995; Blau and Grossberg, 1992). Negative effects are associated, however, with greater hours of employment when a child is very young, with employment that is not voluntary, and with employment in jobs of low quality (those with low wages or little complexity) (Harvey, 1999; Farel, 1980; Alvarez, 1985; Parcel and Menaghan, 1994, 1997). For some children, such as those in low-income families or in single-mother families, maternal employment is associated with positive effects on child outcomes (Harvey, 1999; Moore and Driscoll, 1997; Zaslow and Emig, 1997).

Maternal employment may affect children's well-being through increased use of child care, out-of-school activities, or reliance on children taking care of themselves. Nonmaternal child care, including compensatory education programs, during a child's infant and preschool years is associated with improved cognitive functioning (Caughy, DiPietro, and Strobino, 1994; Currie and Thomas, 1995; Lamb, 1998). Evidence about the effects of child care on children's problem behavior is mixed. Recent work does not support earlier results that early, extensive, and continuous care is associated with problematic child behavior, although problem behavior associated with child care may not emerge until children are older (NICHD Early Child Care Research Network, 1998). Children, particularly low-income children, may benefit from high-quality care (Blau, 1997; Lamb, 1998; NICHD Early Child Care Research Network, 1998) and child care that is stable (Clarke-Stewart, 1991). School-age children may benefit from formal after-school activities that provide stimulating academic environments (Posner and Vandell, 1994, 1999; Pettit, Bates, Dodge, and Meece, 1999). However, school-age children may also experience more self-care. Children who are not supervised are at greater risk of receiving poor grades and of engaging in risk-taking behavior such as substance use — especially if children begin self-care at younger ages (Dwyer et al., 1990; Pettit et al., 1999).

- **By increasing child care assistance and increasing income, MFIP may increase the use of child care or alter the type or quality of care used.**

In addition to changes in child care brought about by maternal employment, MFIP may affect the amount or type of care used, because MFIP compensates child care providers directly and because MFIP participants may be better informed about child care subsidies. Families with access to subsidies that directly reimburse the provider versus other types of reimbursement schemes are more likely to use center-based daycare (Phillips, 1995). This may benefit low-income children especially, because center-based care is likely to be of higher quality than in-home care (NICHD Early Child Care Research Network, 1997). High-quality care has a positive association with children's intellectual, verbal, and cognitive development, especially for children who are economically disadvantaged.[14] High-quality care may also mitigate any adverse effects associated with early, extensive, or unstable care, especially for children at high risk of problematic socioemotional functioning (NICHD Early Child Care Research Network, 1998). MFIP participants may use their increased income to invest in out-of-school programs for their children.

- **By tying working-poor families to the welfare system and its benefits, MFIP could either improve or have negative effects on children's well-being.**

Some of the effect of income may be mediated by its source. For example, the empirical research which examines the independent effect of welfare dependence on child outcomes finds that an additional dollar of welfare income may not have the same effect as an additional dollar of earned income. More specifically, controlling for income, researchers have found that growing up in a welfare-dependent family has a detrimental impact on completed years of schooling and on being economically active and may increase the likelihood of being welfare dependent as an adult (Havemen and Wolfe, 1995; McLanahan, 1985; Ratcliffe, 1995). Growing up in a welfare-dependent family may also have a detrimental impact on young children's test scores (Hill and O'Neill, 1994).[15] On the other hand, relative to other *poor* children, children who live in families who receive AFDC do not fare differently in terms of health, school performance, or behavioral problems in school (Zill et al., 1995). Being tied to the welfare system may extract other benefits, such as increased access and information about health insurance coverage. Although increases in welfare income because of MFIP are tied to employment, this research implies that increases in income from welfare may have a different effect than increases in income from earnings.

V. Key Questions

The effects of MFIP on child outcomes will inform state policymakers as they consider different welfare-to-work programs. To some extent, the findings in this report will inform what effects MFIP-S may have on family and child well-being. Policy implications will be discussed in Chapter 6. First, this report will seek to answer the following key questions:

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[14] See Lamb (1998) for a review.

[15] Peters and Mullis (1997), controlling for omitted variable bias, found that receiving welfare has a detrimental impact on years of work experience. In contrast to welfare income, child support income has a beneficial impact beyond the effects of income for children growing up in single-parent families (Knox and Bane, 1994). See Mayer (1997) for a discussion about the effects of different sources of income.

- What are the effects of MFIP on the employment behavior of single mothers with preschool or school-age children?

- What are the effects of MFIP on intermediate outcomes, such as children's home environment, experiences in child care and structured out-of-school activities, and characteristics of the neighborhood? What are the effects of MFIP on maternal depression, on a child's likelihood of living in a two-parent family, or on a mother's experience with domestic abuse?

- What are the effects of MFIP on different domains of child outcomes — including behavior, school functioning, and health?

- How do a child's characteristics — such as age and gender — influence MFIP's effects on child outcomes?

- How do a family's characteristics — such as length of time on welfare, previous work history, and education — influence MFIP's effects on child outcomes? In particular, how does MFIP affect children in families who are most at risk of detrimental outcomes?

- What are the effects on child outcomes of providing financial incentives alone, compared with adding mandatory employment services to financial incentives?

- Do the effects of MFIP on child outcomes occur through its effects on parents' employment, family income, or both?

Volume 1 evaluates MFIP's effects on recipients in urban and rural counties. This volume focuses on recipients in urban counties. Findings from Volume 1 show that MFIP's combination of mandatory services and financial incentives substantially increased employment and earnings up to three years after random assignment for long-term recipients in urban areas (Miller et al., 2000). By the last nine months of follow-up, MFIP significantly increased their quarterly employment by 13 percentage points — a 26 percent increase over single parents on AFDC. During this same follow-up period, MFIP significantly increased long-term recipients' average quarterly earnings and income from benefits and earnings, and it significantly reduced the likelihood (by 12 percent) that earnings and welfare benefits left a family in poverty. MFIP's impacts on urban long-term recipients are large; that is, they are above average compared with the effects on employment and income observed in similar welfare and employment intervention programs. For urban recent applicants, MFIP had modest to no effects on employment and earnings, but it did reduce poverty (as measured by the total of earnings and welfare income). For both urban long-term recipients and urban recent applicants, MFIP's financial incentives contributed substantially to the reduction of poverty.

The impacts on adult employment and total family income in this volume will be evaluated for a subset of the urban evaluation sample. Thus, if families in the subsample behaved similarly, MFIP may affect child outcomes via its effects on employment behavior, income, and poverty. Encouraging work, reducing dependence on public assistance, and reducing poverty have been difficult to achieve in the past. Well-run employment and training programs have increased employment and earnings but have not consistently raised family income, because welfare grants decline as earnings increase. Strategies to raise income by increasing benefits run the risk of being very expensive unless they are carefully designed to encourage employment as well. As an antipoverty program with potentially large impacts on employment and total family income, MFIP may provide one model for improving the well-being of families and children. This report will assess whether or not these impacts on family income were realized for the MFIP child study sample (single-mother families with children 2 to 9 years old) and whether MFIP had any direct effects on measures of children's well-being. With the exception of recent emerging findings as previously reviewed, relatively little is known about the effects of antipoverty programs on child outcomes, particularly of policies that convey the current U.S. welfare environment.

VI. The Economic and Policy Contexts of the MFIP Evaluation

The economic and policy environments that existed in Minnesota during the MFIP evaluation are important in interpreting the program's effects. In addition, the state of the economy during the evaluation period may affect whether or not the results can be generalized to other locations or other time periods. Figure 1.3 presents a time line of this evaluation and the institution of key policies in Minnesota. The figure illustrates two important changes. First, throughout the field trials, both the MFIP and the STRIDE programs gradually moved toward a stronger emphasis on work rather than education or training. In July 1995, rules for participation in STRIDE changed; participants could be sanctioned for failing to follow through on their "self-sufficiency" plan, and those who were enrolled in part-time education or training programs were required to spend a specified number of hours per week in paid employment, work study, or volunteer activities.

Second, given the considerable public discussion about the transition from the state's existing welfare system to statewide MFIP (MFIP-S, which includes time limits and stronger work requirements), families in the evaluation may have gotten confused over time about which rules applied to them.

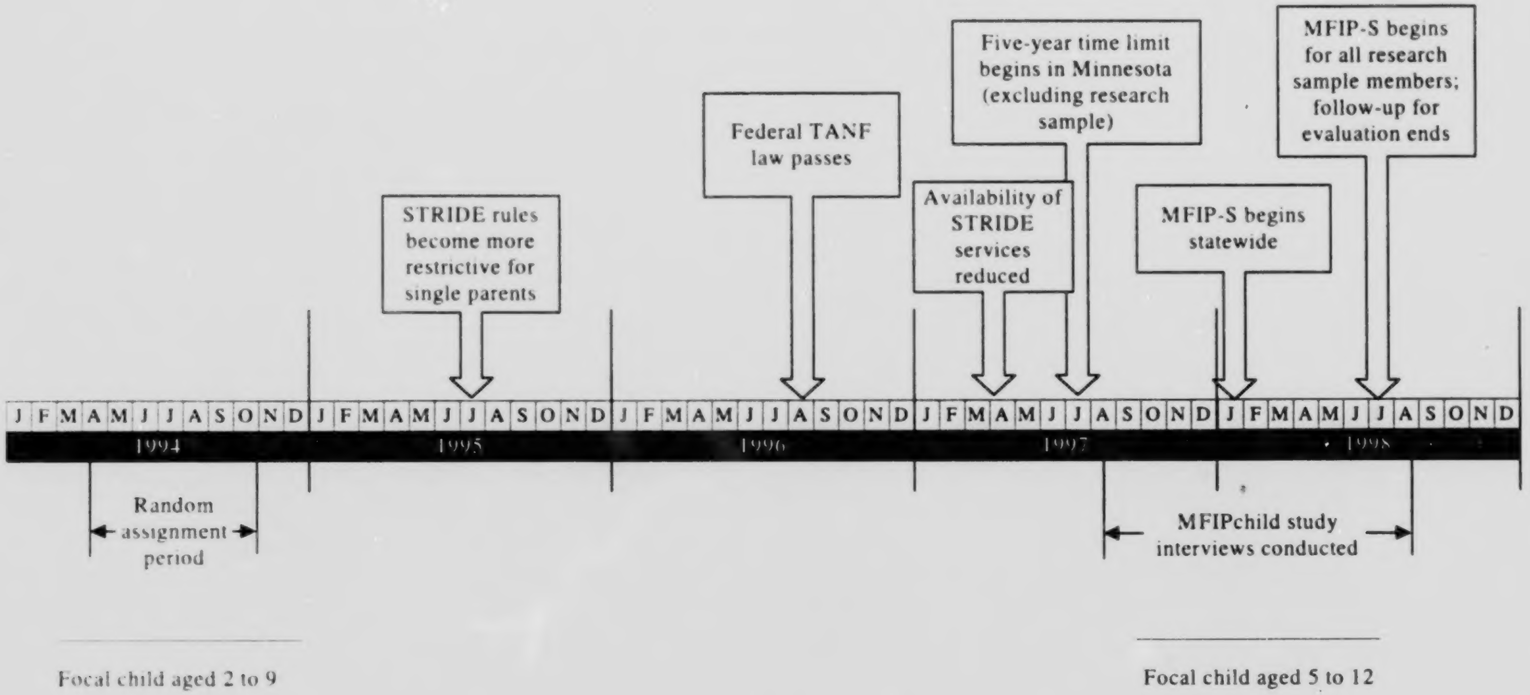
Some key features of MFIP-S include:

- A 60-month lifetime limit on welfare receipt
- A requirement that single parents either work 35 hours per week or participate in job search 30 hours per week
- A time trigger for the work requirement that applies within six months of a single- parent family's entry into public assistance
- A base grant and financial incentives that allow recipients to remain on welfare until their earnings reach 120 percent of the poverty line

The changes to Minnesota's public assistance system that resulted from the statewide MFIP plan were phased in from mid-1997 to mid-1998. The key changes were a phase-out of the STRIDE program starting in March 1997, a five-year time limit beginning in July 1997, and conversion of all welfare recipients to MFIP-S from January to March 1998. The field trial members

Figure 1.3

Time Line of Welfare Reform and MFIP Child Study Evaluation Milestones


STRIDE rules become more restrictive for single parents
Federal TANF law passes
Availability of STRIDE services reduced
Five-year time limit begins in Minnesota (excluding research sample)
MFIP-S begins statewide
MFIP-S begins for all research sample members; follow-up for evaluation ends
J F M A M J J A S O N D
1994
1995
1996
1997
1998
Random assignment period
MFIPchild study interviews conducted
Focal child aged 2 to 9
Focal child aged 5 to 12

NOTE: The earned income disregard was also increased for all AFDC recipients in Minnesota (outside the MFIP research sample).

were converted to MFIP-S after the rest of the state caseload because Minnesota's Department of Human Services was committed to keeping the basic differences in treatment between the program and control groups intact until the evaluation follow-up was completed in mid-1998. Although members of the research sample were informed about their temporary exemption from major policy changes, staff began to advise MFIP and AFDC clients that changes would affect them as early as mid-1997. As discussed in Volume 1, however, data on families' perceptions of program rules suggest that these changes did not undermine the validity of the research design (Miller et al., 2000).

The biggest policy changes in the new program were aimed at reducing costs and increasing the urgency of the employment message. These include the five-year time limit, the reduced basic grant, the reduced earnings threshold for leaving welfare, the more immediate participation mandate, tighter sanctions, and the increased orientation toward full-time work. In addition to reducing costs, however, these changes may reduce MFIP's most direct income-enhancing effects and may increase its employment impacts, particularly for recent applicants to welfare. It is difficult to gauge how these changes will influence any nonfinancial effects MFIP has on family and child well-being.

Three other aspects of the policy and economic environment are important. First, the federal Earned Income Credit (EIC) for low-income workers was expanded during the years that MFIP was being evaluated, and these changes likely affected families' decisions about employment. The maximum federal EIC for a single-parent family with two children was $2,528 in 1994, and it rose to $3,656 by 1997 (U.S. House of Representatives, 1998). Moreover, the state of Minnesota had its own EIC, which was calculated as 15 percent of the federal credit. The state of Minnesota also supports working-poor families through a number of additional programs operating outside the welfare system. For example, Minnesota operates a health insurance program for poor and near-poor families, resulting in only 9.2 percent of individuals' lacking insurance, the fourth-lowest uninsured rate in the country (Burt, Green, and Duke, 1997; Coughlin, Rajan, Zuckerman, and Marsteller, 1997). The state has also invested considerably in child care, increasing funding for non-Head Start child care from $24 million in 1995 to a projected $41 million in 1997 (Burt, Green, and Duke, 1997). Nearly all of this increase represents an expansion of Basic Sliding Fee child care for the nonwelfare poor. Thus, any positive effects of the MFIP program should be interpreted as effects that were achieved over and above any impacts of the EIC and Minnesota's set of supports for working-poor families.

Second, Minnesota's economy was very strong during the evaluation period, with unemployment rates at about 4 percent in 1994 and falling to 2.5 percent by 1998 (U.S. Department of Labor, 1999). A strong local economy will make it easier both for the control group to find employment and for the program group to gain employment. The impacts on employment and earnings produced in Minnesota's strong economy may be larger than they would have been if unemployment rates had been higher.

Third, Minnesota was a relatively high-grant state: The maximum welfare grant for a family of three in January 1994 was $532, compared with $366 nationally (U.S. House of Representatives, 1998). Because of these relatively high grants, even Minnesota's AFDC program had a high proportion of recipients who mixed work and welfare. The relatively high rate of employment within the caseload could make it more difficult for the program to increase employment rates. The Minnesota welfare system also had never instituted a mandatory employment and training program for single parents prior to implementing MFIP. Thus, the population who entered the field trials had not faced a strong expectation of work in the past, and they may have reacted differently to the program than would a group composed of families who were still on welfare after having previously faced strong expectations about work. Finally, during the field trials, Minnesota's welfare caseload declined considerably: From 1994 to 1998, the caseload fell by 23 percent (U.S. Department of Health and Human Services, 1999). The population who would be subject to an MFIP program after the field trials years would likely have a different demographic composition, presumably with more intractable barriers to work, than the composition of the research sample for the field trials.

VII. Organization of This Report

Chapter 2 begins with descriptions of the evaluation sample and the analysis sample for this report, including their characteristics. Next, data sources are discussed, highlighting the types of detailed information that were collected about family well-being and child outcomes. The chapter explains in greater detail why this report focuses primarily on families in urban counties.

Chapter 3 presents MFIP's impacts on family and child well-being for long-term recipients in urban counties. Only impacts from the full MFIP program are presented. The chapter begins by presenting MFIP's impacts on employment, earnings, income, and resources and then presents MFIP's impacts on the families' and children's environments, family functioning, and child outcomes. The chapter ends by discussing MFIP's impacts on selected subgroups: preschool-age children compared with school-age children, girls compared with boys, white children compared with black children and others, and more disadvantaged families compared with less disadvantaged families.

Chapter 4 presents impacts that decompose MFIP's two major components: financial incentives and the added effect of mandatory employment-related services. This chapter includes a discussion of how the decomposition of MFIP may untangle the separate effects on child outcomes of mothers' increased income and increased employment.

Chapter 5 examines MFIP's impacts on children of recent applicants in urban counties by presenting a subset of the impacts previously examined for children of urban long-term recipients. A major portion of this chapter is dedicated to understanding why MFIP had such different effects on recent applicants and their children compared with long-term recipients and their children.

Finally, Chapter 6 places the findings about MFIP's effects on child outcomes into a broader policy context. The first section converts MFIP's findings into effect sizes, which are used to discuss the magnitude of MFIP's impacts on child outcomes relative to other, comparable studies. The second section compares the outcomes for children in the MFIP analysis sample with relevant measures of outcomes for poor and total populations of children in Minnesota and in the United States, thus contributing to emerging descriptive analyses portraying the well-being of poor children. The third section discusses the policy significance of MFIP's impacts on such intermediate outcomes as marriage, maternal depression, and domestic abuse and provides illustrative questions for future research. The chapter ends with a brief summary of lessons from MFIP about welfare reform and their implications for current and future policy.

Chapter 2

Data Sources and Samples

I. The Evaluation Sample

As part of the larger evaluation of the Minnesota Family Investment Program (MFIP), a survey was administered three years after program entry to a subset of the evaluation sample — a random subset of families who entered the program between April 1994 and October 1994. The complete survey consists of two sections: the core section and the child section. The child section was administered to a subset of families randomly assigned from April 1994 to October 1994.

Although the child section of the survey provides information on aspects of the home environment and family functioning that could affect all children in the household, many of the survey items, such as the questions on behavior, are child specific. To reduce the interview burden of answering these questions about each child in the household, mothers were instead asked these questions about one particular child, referred to as the "focal child."[1]

The evaluation sample includes only those families with at least one child between ages 2 and 9 at the time of random assignment (or between ages 5 and 12 at the time of the interview). This child was selected as the focal child, who had to be a legal child of the respondent and had to have lived with her at some time during the past three months and for at least two days in the past week. If the family had more than one eligible child, then one was randomly selected to be the focal child. These families were administered the complete survey, both the core and the child sections. Families without a child in the specified age range (2 to 9 at random assignment) completed only the core section.

There are several advantages to focusing on children who were between ages 2 and 9 at the time of random assignment. This age range covers two periods of childhood (preschool- and school-age years) that are likely to be responsive to changes in the family environment. Recent research has found, for example, that the level of family income has a relatively stronger effect on the development of young children (Duncan and Brooks-Gunn, 1997). Also, in terms of measuring children's well-being, many psychometrically reliable and well-tested instruments are available for children in this age range. Finally, any detrimental effects of poverty may be most reversible during children's young years, because children have not yet spent the majority of their life in poverty.

There are also a number of drawbacks to focusing on children who were between ages 2 and 9 at the time of random assignment. First, MFIP's effects on infants and toddlers are not adequately assessed, and it is infants and toddlers who may be most affected by maternal employment and by child care. Second, MFIP's effects on adolescents are not adequately assessed.

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[1] In the core section of the survey, selected outcomes about children's academic functioning were collected for each child age 5 to 18 of all respondents in the MFIP evaluation. These outcomes are presented and discussed in Appendix E.

Adolescents may benefit the most from the role-modeling of a working mother or may be most at risk of delinquent behavior if maternal employment leads to less supervision.

A. Subgroups of the Evaluation Sample

To best describe the effects of MFIP on child outcomes, this report highlights the subgroup of respondents who experienced the largest changes in behavior because of MFIP. Findings from Volume 1 suggest that MFIP had the largest and continually consistent impacts on urban long-term recipients (Miller et al., 2000). This report of the child study focuses on MFIP's impacts on children in two different types of welfare families in urban counties. A major portion of the report discusses MFIP's impacts on urban long-term recipients, which are then compared with impacts on recent applicants, or single parents on welfare for fewer than 24 of the past 36 months. These research groups are discussed in further detail below.

Children of Long-Term Recipients Versus Recent Applicants. MFIP's effects are presented separately for two types of single parents receiving welfare. *Long-term recipients* are defined as those families who had been receiving welfare for two years or more of the past three years when they entered the program. *Recent applicants* are defined as those families who either (1) were applying for welfare for the first time when they entered the program or (2) had been receiving welfare for less than two years. The primary reason for dividing the sample in this manner is that MFIP's mandatory employment-related activities were not required until single parents reached two years of welfare receipt. Thus, this study's long-term recipients were required to participate in services immediately after entering MFIP and, consequently, received the MFIP treatment for the entire follow-up period. In contrast, many single parents in the recent applicant group were applying for welfare for the first time when they entered MFIP and would not be subject to the participation requirement for at least two years. The remainder of the recent applicants had been on welfare for less than two years and would face the participation requirement at any point within 23 months after entering the program. The second reason for dividing the sample in this manner is that the families of long-term recipients and recent applicants have very different baseline characteristics, which will be discussed in Section IV.

By presenting separate results for long-term recipients and recent applicants, the evaluation assesses the effectiveness of MFIP from two perspectives. The results for long-term recipients are important because they provide an opportunity to examine the effects of MFIP's full treatment — incentives plus mandatory services — without waiting several years for a new applicant group to reach the time trigger for mandated participation. The results for the recent applicant group are important because they provide a snapshot of how MFIP will affect future entrants into the welfare system (who have not been affected by prior welfare rules). However, for most of the follow-up period, recent applicants in the MFIP field trials received only MFIP's financial incentives. Finally, from a policy perspective, long-term recipients have proven least likely to gain employment and leave the welfare system without some intervention. Thus, at any point in time, the bulk of welfare recipients are long-term recipients, and expenditures on those recipients represent the majority of welfare costs. For this reason, the MFIP model was designed to intervene most intensively for long-term recipients, and the results for long-term recipients are of particular interest.

Children in Urban Counties Versus Rural Counties. The research design of the MFIP evaluation comprises seven counties — three urban (including Hennepin County, the location of Minneapolis and St. Paul) and four rural. Long-term recipients and recent applicants were randomly assigned to different research groups depending on whether they lived in a rural or an urban county. Respondents in *urban counties* in the MFIP evaluation were randomly assigned to one of three research groups: MFIP, MFIP Incentives Only, or AFDC. Respondents in *rural counties* in the MFIP evaluation were randomly assigned to one of only two research groups: MFIP or AFDC. The effects of MFIP on families in urban counties are the focus of this report for three reasons: (1) MFIP's impacts on employment and income are larger, more consistent, and longer-lasting for families in urban counties (Miller et al., 2000); (2) the sample size for single-parent families in rural counties is quite small; and (3) the three-group research design is available only in urban counties. Each of these reasons is discussed further below.

First, because this report focuses on outcomes that are not primary targets of MFIP, it is of particular interest to focus on a group of families who experienced MFIP's impacts on employment, earnings, and income consistently over time. In this regard, MFIP's impacts on families in urban counties are noteworthy.

Second, although the variation in the effects of MFIP in rural and urban counties may be of interest in linking maternal behavior to child outcomes, the total sample size available for rural counties is relatively small and thus may produce unreliable or unrepresentative impact estimates. A discussion of MFIP's impacts on outcomes for children in all counties and in rural counties is included in Appendix D.

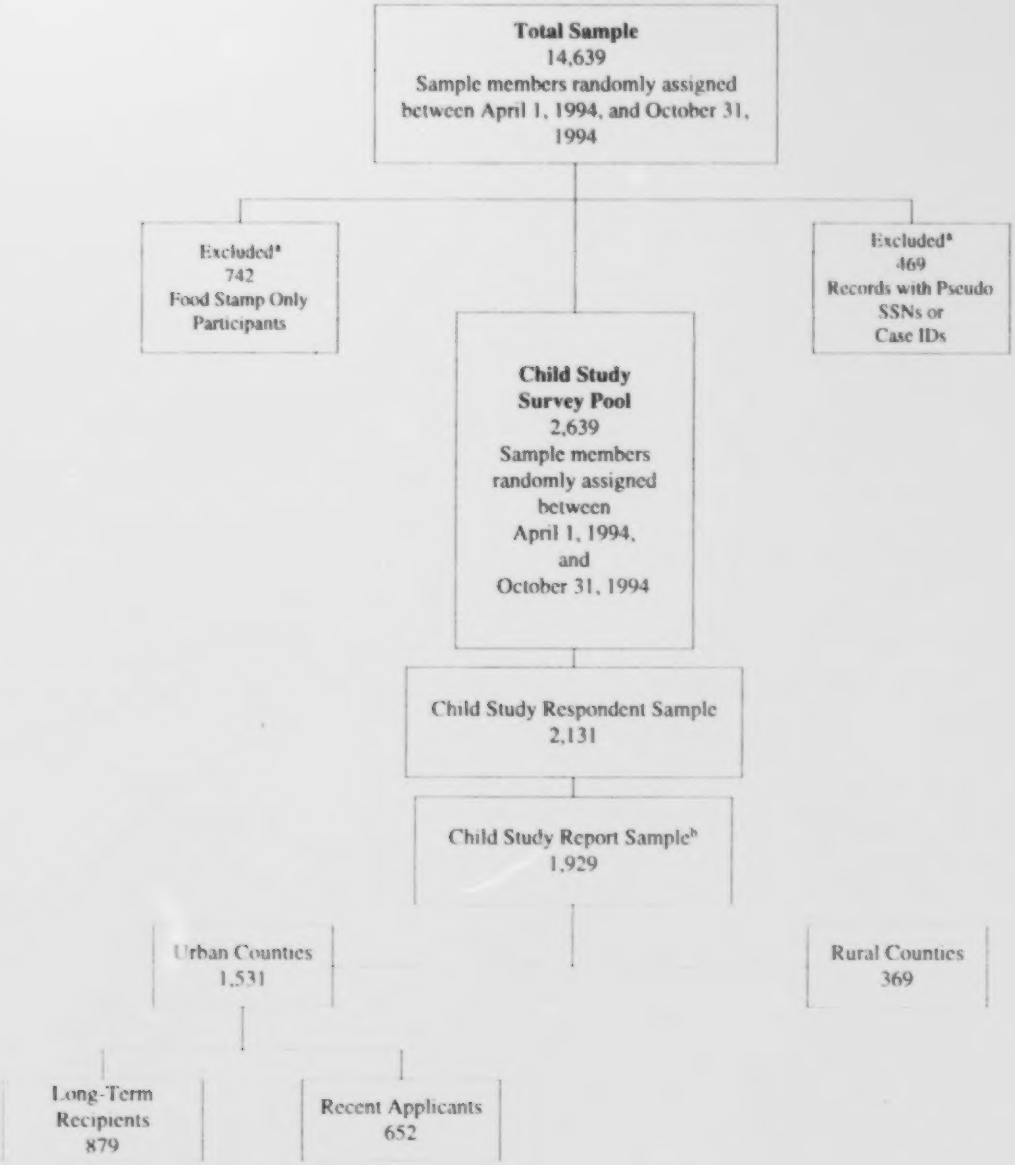
Third, MFIP's three-group research design in urban counties offers a unique opportunity to learn more about how the MFIP treatments may affect child outcomes. MFIP's financial incentives may have different effects on employment and income compared with the joint effects of financial incentives and mandatory services. Distinguishing the separate components of the MFIP program as they affected employment and income may help determine how MFIP's effects on income and employment in turn affected intermediate outcomes (such as child care) and child outcomes. Thus, the three-group research design in urban counties may be used to untangle the effects of income on child outcomes from the effects of employment.

II. The Analysis Sample

Figure 2.1 illustrates the derivation of the final analysis sample for the child study and how it is a subset of the sample used for the main MFIP evaluation. The sample targeted for the child section part of the survey consists of all families who entered the program between April 1994 and October 1994 and who had a child between the ages of 2 and 9 at the time of random assignment. The survey achieved a response rate of 80.3 percent; that is, interviewers managed to locate and interview 2,131 of the 2,639 eligible families. Although this is a reasonably high response rate, there is the possibility that analyses using the survey sample will suffer from nonresponse bias. Nonresponse bias arises when the respondents differ from the nonrespondents in important ways, casting doubt on whether the survey sample is representative of the larger population. Appendix B presents an analysis of nonresponse bias. The results suggest that any bias is minimal; that is, the survey sample is representative of the full sample of eligible families.

Figure 2.1

Derivation of the Child Study Report Sample


Total Sample
14,639
Sample members randomly assigned between April 1, 1994, and October 31, 1994
Excluded[a]
742
Food Stamp Only Participants
Excluded[a]
469
Records with Pseudo SSNs or Case IDs
Child Study Survey Pool
2,639
Sample members randomly assigned between April 1, 1994, and October 31, 1994
Child Study Respondent Sample
2,131
Child Study Report Sample[b]
1,929
Urban Counties
1,531
Rural Counties
369
Long-Term Recipients
879
Recent Applicants
652

NOTE: [a]To facilitate discussions regarding the sample sizes indicated in tables included throughout this report, this diagram depicts the Food Stamp Only and the Pseudo SSN cases as having been removed from the total sample. It should be noted, however, that these cases were actually included in the report and survey samples but are excluded from the impact and survey data analyses.

[b]Twenty-nine respondents were excluded from the analysis because information was missing about whether or not they hit the MFIP "time trigger" and thus were required to participate in employment-related services.

Near the bottom of Figure 2.1, the final analysis sample of 1,900 families is obtained after imposing a few additional restrictions. First, the analysis is limited to children who were at least 5 years old and less than 13 years old at the time of the interview. Some children who were interviewed were out of the age range for the analysis because the interview took place earlier or later than anticipated relative to their birth date. Second, because the focal child in each household was chosen before the interview, based on the family's status at random assignment, some "predetermined" focal children were not in the household at the time of the survey, either because they had moved to another residence or because the designation at random assignment was based on incorrect information. For these cases, another focal child was randomly chosen at the time of the interview. The final analysis excludes children who were not the predetermined focal child.

II. Data Sources

A. Baseline Characteristics

For all sample members, basic demographic information is available from a Baseline Information Form (BIF) completed just prior to random assignment. Staff in the financial offices interviewed each welfare applicant or recipient and collected important demographic information, such as the sample member's age, educational attainment, prior work history, and prior welfare receipt. Most research group members also completed a confidential Private Opinion Survey (POS).[2] This brief survey asked respondents about their attitudes, opinions, and preferences regarding work and welfare — providing a rich picture of their perspectives as they entered the program.

These background data are used for three purposes: to describe the sample, to define subgroups of the sample whose impacts may be of particular interest, and to contribute to the regression model used in the impact analyses to increase the precision of impact estimates.

B. Administrative Records

Data from state administrative records were used to track families' benefit receipt and employment during the follow-up period. *Public assistance benefits records* were provided to MDRC by Minnesota's Department of Human Services. These automated data include monthly information on public assistance benefits (including MFIP, AFDC, Food Stamps, and Family General Assistance) provided to each member of the research sample. *Unemployment Insurance (UI) earnings records* were provided to MDRC by Minnesota's Department of Economic Security. These data provide quarterly earnings information for each sample member, as reported to the UI system by employers; the data exclude earnings that are not covered by or not reported to the UI system — for example, jobs in the informal economy. Earnings and benefit data are available for each sample member for a minimum of one year prior to random assignment and three years following random assignment.

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[2] Approximately 71.5 percent of the respondents who completed the Baseline Information Form also completed the Private Opinion Survey.

C. 36-Month Client Survey

The core section of the 36-month client survey took approximately 30 minutes to administer and focuses primarily on adult and family-level outcomes. It is designed, for example, to obtain employment information not available from administrative records (such as hours worked and wage rates) plus more general measures of family circumstances (such as household composition, sources of income, and material hardship). The child section of the survey took 45 minutes to administer and contains a range of questions designed to measure children's environments and a number of child outcomes.

Although it is focused on adult outcomes, the core section of the survey provides information about the following important aspects of the child's environment:

Maternal Employment. The survey collected information about the wages and hours worked for each job the mother had held since random assignment. Start and end dates provide information about job stability.

Family Resources and Hardship. The survey obtained information both about the total income received by the family in the month prior to the survey and about the sources of income. In addition, several questions captured the extent to which the family had experienced material hardship, such as periods of time when the family could not pay bills or get needed health care.

Health Insurance and Food Security. In the survey, respondents were asked about health insurance coverage, about which members in the family were covered by public or by private health insurance, and about whether the family and children had had enough to eat.

Family Stability and Family Structure. Family stability was measured using questions about the number of times the family had moved since random assignment; whether the focal child had ever spent time away from the mother; and changes in family composition, such as marriage or divorce.

Children's School Progress. Mothers were asked selective questions about children's functioning in school, relating to such areas as academic performance, grade repetition, and behavioral problems.

The following broad areas are covered by the child section of the survey:

Home Environment. The survey contains a widely used set of questions that has been found to capture the quality of children's home environment. The questions capture such aspects as the stability of home life, the amount of cognitive stimulation provided, and the level of emotional support. In addition, another aspect of the home environment was captured with a series of questions about domestic and family abuse of the mother.

Child Care. The survey attempts to measure the quality and stability of child care use since random assignment. For example, mothers were asked about the type of care used, the number of different arrangements used, and their perceptions about the quality of care used.

Maternal Well-Being. Mothers' well-being was measured by a widely used and reliable set of questions designed to assess depression.

Parenting Practices. Parenting practices were measured using several questions that asked mothers about the stress of parenting, the level of supervision provided, and the use of harsh discipline.

Children's Social and Emotional Adjustment. The survey uses two well-known scales to measure children's emotional well-being and behavior. The Behavioral Problems Index (BPI) measures the extent of children's problem behaviors, and the Positive Behavior Scale (PBS) is designed to capture positive aspects of children's behavior.

Children's School Progress. In addition to the questions about school progress asked in the core section of the survey, mothers were asked about academic honors received by their children, the use of special education resources, and whether the children had ever been expelled or suspended or had ever dropped out of school.

Children's Health and Safety. Children's health and safety were measured using several questions. For example, mothers were asked to rate their children's health, to describe the use of preventive care for their children, and to summarize the incidence of accidents and injuries.

Many questions on the survey collect information about fairly sensitive topics, and respondents might be reluctant to respond truthfully or to respond at all. Domestic abuse is one good example. For this reason, much of the child section of the interview was conducted using Audio-CASI (Computer Assisted Self-Interviewing), in which respondents listen to questions through headphones and enter their responses directly into a computer. This method has proved to be more effective than other methods at eliciting responses to sensitive questions (see Gallup-Black, 1999, for a review and a discussion of the use of Audio-CASI in the MFIP evaluation).

One disadvantage of using the Audio-CASI method is that information about sensitive items will be missing for families whose interviews are conducted not in their home but rather over the phone. Survey items that were measured using Audio-CASI are missing for approximately 10 percent of the 1,900 families in the child study report sample. In general, there are few differences in the demographic and economic characteristics of families who answered all the Audio-CASI items and families who did not.[3]

IV. Description of the Report Sample

This section describes the characteristics of the report sample, using data from the Baseline Information Form and the Private Opinion Survey, and it compares the characteristics of long-term recipients and recent applicants. Because it is also of interest to compare the characteristics of this MFIP sample with the characteristics of representative families in Minnesota and the

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[3] Long-term recipients in both the program and the control groups were equally likely to complete the Audio-CASI items in the survey. Recent applicants in the program group were more likely than control group members to complete the Audio-CASI items. To ensure that the impacts measured by the Audio-CASI items were not biased by the different response rates, impacts were reanalyzed for recent applicant families who completed the entire survey, that is, who provided complete information on Audio-CASI items and non-Audio-CASI items. MFIP's impacts for these families were similar to impacts for the full sample of recent applicant families.

United States as a whole, Chapter 6 compares selective outcomes for MFIP, state, and national samples.

A. Baseline Demographic Characteristics

Table 2.1 presents baseline demographic characteristics of long-term recipient families and recent applicant families in urban counties.[4] The table begins by showing characteristics of the focal child in each of the samples. Roughly two-thirds of the focal children were younger than 6 years old at the time of random assignment. The focal children are equally split between being male or female and equally split between being firstborn or later in the birth order.

The remaining panels of the table present the two samples' demographic characteristics and their status regarding marriage, employment, education, and welfare receipt. About 46 percent of long-term recipients are white, non-Hispanic; and 41 percent are black, non-Hispanic. Long-term recipients are more likely to be black than recent applicants are (41 percent compared with 28 percent). Over 71 percent of long-term recipients were never married at the time of random assignment — considerably more than recent applicants (38 percent). In contrast, 35 percent of recent applicants were married but living apart from their spouses, and 21 percent were divorced.

Unsurprisingly, long-term recipients are more disadvantaged in terms of their employment and welfare history. Nearly 12 percent of long-term recipients had never worked at the time of random assignment, compared with only 4 percent of recent applicants. Nearly one-third of long-term recipients had any earnings in the 12 months prior to random assignment, compared with over two-thirds of recent applicants. More than half of long-term recipients were on welfare for five years or more, compared with approximately 10 percent of recent applicants. Finally, although long-term recipients and recent applicants completed a similar level of education (11.5 and 12.1 grades, respectively), nearly one-third of long-term recipients did not have a high school diploma or its equivalent or any education beyond high school. In comparison, 18 percent of recent applicants did not have a high school diploma or its equivalent or any education beyond high school.

B. Opinions and Attitudes

Table 2.2 presents opinions and attitudes of long-term recipient families and recent applicant families in urban counties. These characteristics are based on information reported on the confidential Private Opinion Survey completed just prior to random assignment. Although sample members reported a number of barriers to employment, arranging for child care was the most frequently cited barrier. Of those who were not currently employed, 83 percent of long-term recipients and 75 percent of recent applicants reported that they faced at least one of five barriers to

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[4] This study's long-term recipients (those with at least one child age 2 to 9 at the time of random assignment) generally have similar baseline characteristics, particularly in terms of employment and welfare history, compared with long-term recipients in the full evaluation sample in Volume 1. The only exceptions are that long-term recipients in this study are more likely to be black and never to have married. This study's recent applicants also generally have similar baseline characteristics as recent applicants in the full evaluation sample in Volume 1. The only exceptions are that recent applicants in this study are more likely to be separated or divorced and more likely to have had some prior experience on welfare compared with recent applicants in Volume 1.

Table 2.1

Selected Characteristics of MFIP Child Study Report Sample Members in Urban Counties, by Welfare Status at Random Assignment

Characteristic	Long-Term Recipients	Recent Applicants
Focal child characteristics		
Younger than 6 at random assignment (%)	66.0	62.7
6 or older at random assignment (%)	34.0	37.3
Average age at random assignment (%)	5.2	5.2
Male (%)	50.8	48.5
Female (%)	49.2	51.5
Child is firstborn (%)	49.3	53.8
Demographic characteristics		
Geographic area (%)		
Hennepin County (Minneapolis)	78.2	63.2
Anoka and Dakota Counties	21.8	36.8
Average age (years)	28.9	30.1
Race/ethnicity (%)		
White, non-Hispanic	46.4	63.5
Black, non-Hispanic	40.9	27.9
Hispanic	2.2	2.2
Native American/Alaskan Native	8.8	5.3
Asian/Pacific Islander	1.7	1.2
Family status		
Marital status (%)		
Never married	71.4	38.0
Married, living with spouse	0.5	0.6
Married, living apart	7.8	34.6
Separated	1.6	4.6
Divorced	18.1	21.4
Widowed	0.7	0.8
Respondent pregnant or has a child under 6 at the time of random assignment	78.4	74.2
Labor force status		
Any earnings in past 12 months (%)	30.9	70.3
Currently employed (%)	12.8	22.3
Average hourly wage[a] ($)	6.14	6.60
Average hours worked per week[b] (%)		
1-19	41.9	32.9
20-29	30.5	29.3
30 or more	27.6	37.9

(continued)

Table 2.1 (continued)

Characteristic	Long-Term Recipients	Recent Applicants
Never worked (%)	11.6	4.4
Education status		
Highest credential earned (%)		
GED certificate[c]	17.5	12.4
High school diploma	40.2	51.1
Technical/2-year college degree	11.2	14.4
4-year college degree or higher	0.9	4.5
None of the above	30.1	17.6
Highest grade completed in school (average)	11.5	12.1
Prior welfare receipt		
Total prior AFDC receipt[d] (%)		
None	1.6	43.1
Less than 4 months	0.9	4.2
4 months or more but less than 1 year	0.5	11.2
1 year or more but less than 2 years	1.9	18.0
2 years or more but less than 5 years	43.0	14.0
5 years or more but less than 10 years	36.2	6.1
10 years or more	16.0	3.6
Current and recent education and training activities		
Currently enrolled in any type of education or training (%)	25.9	16.8
Enrolled in any type of education or training during the previous 12 months (%)	28.3	20.2
Sample size (total = 1,531)	879	652

SOURCE: MDRC calculations using data from Background Information Forms.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment. All sample members are female.

One percent of single-parent sample members did not complete a Background Information Form. In addition, nonresponse rates for individual items ranged from 0 to 8.3 percent.

[a] Percentages are calculated for those employed at the time of random assignment who reported an hourly wage. Twenty percent of those employed were excluded because they did not report an hourly wage.

[b] Percentages are calculated for those employed at the time of random assignment.

[c] The General Educational Development (GED) certificate is given to those who pass the GED test and is intended to depict knowledge of basic high school subjects.

[d] This refers to the total number of months an individual or her spouse has spent on AFDC at one or more periods of time as an adult. It does not include AFDC receipt under a parent's name.

Table 2.2

Attitudes and Opinions of MFIP Child Study Report Sample Members in Urban Counties, by Welfare Status at Random Assignment

Attitude or Opinion	Long-Term Recipients	Recent Applicants
Client-reported barriers to employment		
Among those not currently employed, the percentage who agreed or agreed a lot that they could not work part time right now for the following reasons:[a]		
No way to get there every day	48.4	32.3
Cannot arrange for child care	63.3	57.6
A health or emotional problem, or a family member with a health or emotional problem	22.9	30.2
Too many family problems	23.3	36.5
Already have too much to do during the day	23.8	24.2
Any of the above	82.6	75.4
Client-reported preferred activities		
Given the following choices, percentage expressing a consistent preference for one of the following activities:[b]		
Staying home to take care of family	9.0	10.9
Going to school to learn a job skill	41.8	47.7
Going to school to study basic reading and math	4.8	3.9
Getting a part-time job	8.1	5.3
Getting a full-time job	29.9	27.6
Percentage who agreed or agreed a lot that children who go to daycare or preschool learn more than children who stay home with their mothers	57.7	54.8
Percentage who, if they had a choice, would prefer to work at a:[a]		
Part-time job	31.7	32.2
Full-time job	68.3	67.8
Client-reported attitudes toward welfare		
Percentage who agreed or agreed a lot with the following statements:		
I feel that people look down on me for being on welfare	64.4	59.5
I am ashamed to admit to people that I am on welfare	56.2	59.8
Right now, being on welfare provides for my family better than I could by working	60.0	51.5
I think it is better for my family that I stay on welfare than work at a job	19.5	16.8

(continued)

Table 2.2 (continued)

Attitude or Opinion	Long-Term Recipients	Recent Applicants
Client-reported social support network		
Percentage who agreed or agreed a lot with the following statements:		
Among my family, friends, and neighbors, I am one of the only people who is on welfare	35.4	51.5
When I have trouble or need help, I have someone to talk to	75.2	80.4
Client-reported sense of efficacy		
Percentage who agreed or agreed a lot with the following statements:		
I have little control over the things that happen to me	19.2	21.1
I often feel angry that people like me never have a chance to succeed	50.1	34.4
Sometimes I feel that I'm being pushed around in life	41.5	44.8
There is little I can do to change many of the important things in my life	31.3	30.6
All of the above	7.5	8.4
None of the above	30.3	35.3
Sample size (total = 1,531)	879	652

SOURCE: MDRC calculations using data from Private Opinion Survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

Thirty percent of single-parent sample members for this report did not fill out a Private Opinion Survey because the survey began in the second month after the start of random assignment.

In most categories, individuals could agree or agree a lot with more than one statement. Multiple responses were not possible in the following item groupings: client-reported preferred activities, client-reported employment-related activities, and client-reported acceptable wages.

[a] Part time is defined as a minimum of 10 hours per week. Full time is defined as 40 hours per week.

[b] Percentages were calculated for those with a consistent preference.

part-time employment. Nearly half of long-term recipients reported that lack of transportation was a barrier. Recent applicants were more likely than long-term recipients to report problems relating to health or other family problems.

Preferred activities reported by the clients were surprisingly similar among long-term recipients and recent applicants. Over 70 percent of long-term recipients and 75 percent of recent applicants expressed a consistent preference either for going to school to learn a job skill or for getting a full-time job. This is consistent with client-reported attitudes toward welfare. The majority of long-term recipients and recent applicants agreed that people looked down on them for being on welfare and that they were ashamed to admit being on welfare, yet they also agreed that welfare provided for their family better than working. However, compared with long-term recipients, a greater proportion of recent applicants expressed a preference for going to school to learn a job skill, and fewer recent applicants were less likely to agree that being on welfare provided for their family better than working. Although clients reported a preference to work or gain the skills to be able to work, they saw welfare as the best option for providing for their family.

The last two panels in Table 2.2 measure clients' social support networks and their sense of efficacy. Of long-term recipients, 75 percent agreed that they had someone to talk to when they needed help, and the majority knew others who were on welfare. Nearly 70 percent of long-term recipients also agreed with statements about having little control over events, feeling angry that they never had a chance to succeed, feeling that they were pushed around in life, and feeling that they could do little to change important things in their life. Although a similar proportion of recent applicants agreed that they had someone to talk to when they needed help, they were much more likely than long-term recipients to agree that they did not know of family, friends, or neighbors who were on welfare. These descriptions imply that both long-term recipients and recent applicants felt that they had little control over their future, which may have affected their ability to respond to MFIP's participation mandate and financial incentives. Another interpretation is that MFIP's mandate may have provided the kind of structure that clients needed to begin employment.

V. Measuring the Effects of MFIP on Child Outcomes

Because families were assigned at random to either the MFIP or the AFDC group, there should have been no systematic difference between the groups when they entered the program. During the follow-up period, any differences in the two groups' outcomes — such as family income or children's well-being — can reliably be attributed to MFIP. The difference in outcomes between the two groups is the effect, or "impact," of MFIP. All the impact estimates are regression-adjusted; that is, to increase the precision of the estimates, impacts are estimated in a regression framework, controlling for a number of baseline characteristics.[5]

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[5] These baseline characteristics include indicators for county, receipt of public assistance at the time of random assignment, ever on AFDC, on public assistance for five years or more, number of children, presence of child under the age of 6, never married, no high school diploma or other degree, employed at random assignment, race/ethnicity, age 25 to 34, age 35 or older, employed in quarter prior to random assignment, total earnings in year prior to random assignment, total earnings in year prior to random assignment squared, welfare receipt in quarter prior to random assignment, welfare receipt in year prior to random assignment, total months of welfare receipt in year prior to random assignment, whether focal child is firstborn, whether focal child is female, whether respondent was a teen mother of focal child, age of child in months, and whether mother grew up in an AFDC household.

All impacts are tested for statistical significance, and only those impacts that are statistically significant using a two-tailed t-test at the 10 percent level are deemed program impacts. Significance tests are based on the fact that some estimated impacts, or differences between the groups, may arise solely by chance or random variation. Impacts that are statistically significant can be thought of, with a reasonable degree of confidence, as representing a true difference between the groups, rather than a difference arising by chance.

A number of hurdles may exist in detecting significant effects of MFIP on child outcomes. First, as previously discussed, because MFIP is a program targeted toward affecting the behavior and outcomes of adults, the program may be more likely to affect children if large and significant effects are found on adult outcomes. This is particularly true for the MFIP Incentives Only group, for whom entry into employment and sustaining employment are voluntary. Second, MFIP's effects may be detectable only on specific aspects of measured child outcomes, and the data may not adequately capture these specific aspects. For example, short-term effects of income on measures of children's behavior are likely more detectable than short-term effects of income on broad measures of children's health.

Third, all the child outcome measures are based on maternal reports, yet mothers' perceptions of their children may also be affected by MFIP or may differ from objective assessments. Thus, maternal reports of child well-being may provide only one snapshot of MFIP's effects on children. The New Chance and New Hope evaluations found that mothers' reports of children's behavior and academic performance differed from teachers' reports. In the New Chance Demonstration, maternal reports suggested that the program negatively affected children's behavior and academic performance, whereas teachers' reports suggested no significant differences between children in the program and control groups (Quint, Bos, and Polit, 1997). In the New Hope Project, maternal reports suggested few significant differences between children in the program and control groups, whereas teachers' reports suggested significant improvements among New Hope boys (Bos et al., 1999). Even though these findings do not establish that program effects on parenting or other measures of family functioning may alter mothers' perceptions of their children and child outcomes, they do suggest that maternal reports provide only one perspective about the well-being of children.

Evaluating MFIP's effects on children also requires an assessment of whether the effects are large or small. An impact may be statistically significant, but is it large enough to be deemed important? Evaluating the size of an impact on various measures of adult economic outcomes is relatively straightforward. For example, most can assess whether or not an impact of $200 has a large or small effect on an individual's annual income. It is much more challenging to evaluate whether or not a 10-point change in a scale measuring a child's behavioral problems, or a 5 percent change in a scale measuring school progress, is large or small.

One method of assessing whether or not an impact on outcomes such as a behavior scale is large or small is to standardize it. An impact estimate can be converted into an *effect size*, which is computed by dividing the impact (the difference in outcomes between the program group and the control group) by the standard deviation of the outcome. The absolute value of the effect size provides a standardized measure of the program impact that can be used to compare program impacts on outcomes with very different scales. Effect sizes generally range from 0 to 1, where a larger absolute value indicates a larger impact of the program and a smaller absolute value indicates a smaller impact of the program. Generally, effect sizes of 0.1, 0.3, and 0.5 are considered small, medium, and large, respectively (Cohen, 1988; Lipsey, 1990).[6] These benchmarks are based on nonexperimental studies that cover a broad range of topics. A review of effect sizes achieved in studies that are similar to MFIP gives a better sense of the impact of MFIP on children's outcomes relative to other experimental studies.

Some experimental programs, like MFIP, target adults' employment, income, and receipt of public assistance; through these and other changes in parental behavior, the programs are likely to affect children. Examples include the New Hope Project (Bos et al., 1999), the Teenage Parent Demonstration (Kisker et al., 1998), the National Evaluation of Welfare-to-Work Strategies (which operated in 11 sites; Freedman et al., 2000; McGroder et al., 2000), and the Canadian Self-Sufficiency Project (Morris and Michalopolous, 2000). In general, effect sizes on child outcomes in these studies range from 0.0 to 0.3.[7] Thus, benchmarks of effect sizes may change depending on the frame of reference. Compared with similar experimental studies, effect sizes of 0.1, 0.2, and 0.3 may be a more reasonable basis for evaluating whether MFIP's effects are small, medium, or large, respectively.

Although effect sizes allow comparisons across outcomes that have different scales, effect sizes are not informative in assessing whether or not the impacts on outcomes are important or "socially significant"; nor do they help in assessing to what extent current changes in particular child outcomes are known to affect the future well-being of children or to extract a future benefit to society. For example, if high school graduation results in a higher likelihood of adult employment and if empirical literature suggests that a 5 percent change in grade performance during a child's early-school-age years leads to a higher likelihood of high school graduation, then this 5 percent change is important. The effect sizes of MFIP's impacts on child outcomes are presented in Chapter 6, along with a discussion of their importance.

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[6] These breakdowns are remarkably similar to Cohen's original hypotheses about what should be categorized as a small, medium, or large effect.

[7] New Hope did find larger effects (0.2 to 0.5) for boys in the program group, based on teachers' reports of their behavior and school performance.

Chapter 3

MFIP's Effects on the Children of Long-Term Recipients in Urban Counties

This chapter presents the full program impacts of the Minnesota Family Investment Program (MFIP) on children in long-term recipient families who lived in urban counties (Anoka, Dakota, and Hennepin Counties). The primary goals of this chapter are to present concisely the full program impacts of MFIP, to explain the construction of the outcomes in this study, and to discuss briefly the relevant literature about these outcomes and their link with children's well-being. The impacts are organized into five broad categories: employment, income, and resources (Section II); children's and family environment (Section III); parent-child relationships and family functioning (Section IV); child outcomes (Section V); and selected subgroups (Section VI). Chapter 4 further explains these impacts; how they may be attributed to different components of the MFIP intervention; and the links among impacts on direct outcomes, intermediate outcomes, and child outcomes.

To illustrate how MFIP's effects are examined in this chapter, Figure 3.1 replicates Figure 1.2 and replaces the conceptual measures with actual measures available from the MFIP child study data.[1] The chapter is most informative about the intermediate and child outcomes (columns 3 and 4). For example, the intermediate outcomes that are analyzed include material hardship, food security, child care, the quality of the home environment, domestic abuse, and maternal depression. The figure also shows that a number of measures of child behavior (for example, the Behavioral Problems Index and the Positive Behavior Scale) and of academic achievement are available but that objective measures of cognitive functioning (for example, the Peabody Picture Vocabulary Test) are not available.

I. Summary of the Main Findings

Figure 3.2 also replicates Figure 1.2; it summarizes the significant effects of MFIP compared with AFDC on family and child outcomes. Bold type indicates a significant difference or impact — at least at the 0.10 level using a two-tailed t-test — between long-term recipients in MFIP and long-term recipients in AFDC; an arrow before the name of the outcome indicates the direction of the impact. An upward arrow indicates that on average the program group achieved a higher level on the outcome, compared with the control group; a downward arrow indicates that on average the program group achieved a lower level on the outcome, compared with the control group. The figure provides both a snapshot and a general context for understanding the potential pathways through which MFIP may have affected children.

- **MFIP decreased children's behavioral problems and improved their academic functioning.**

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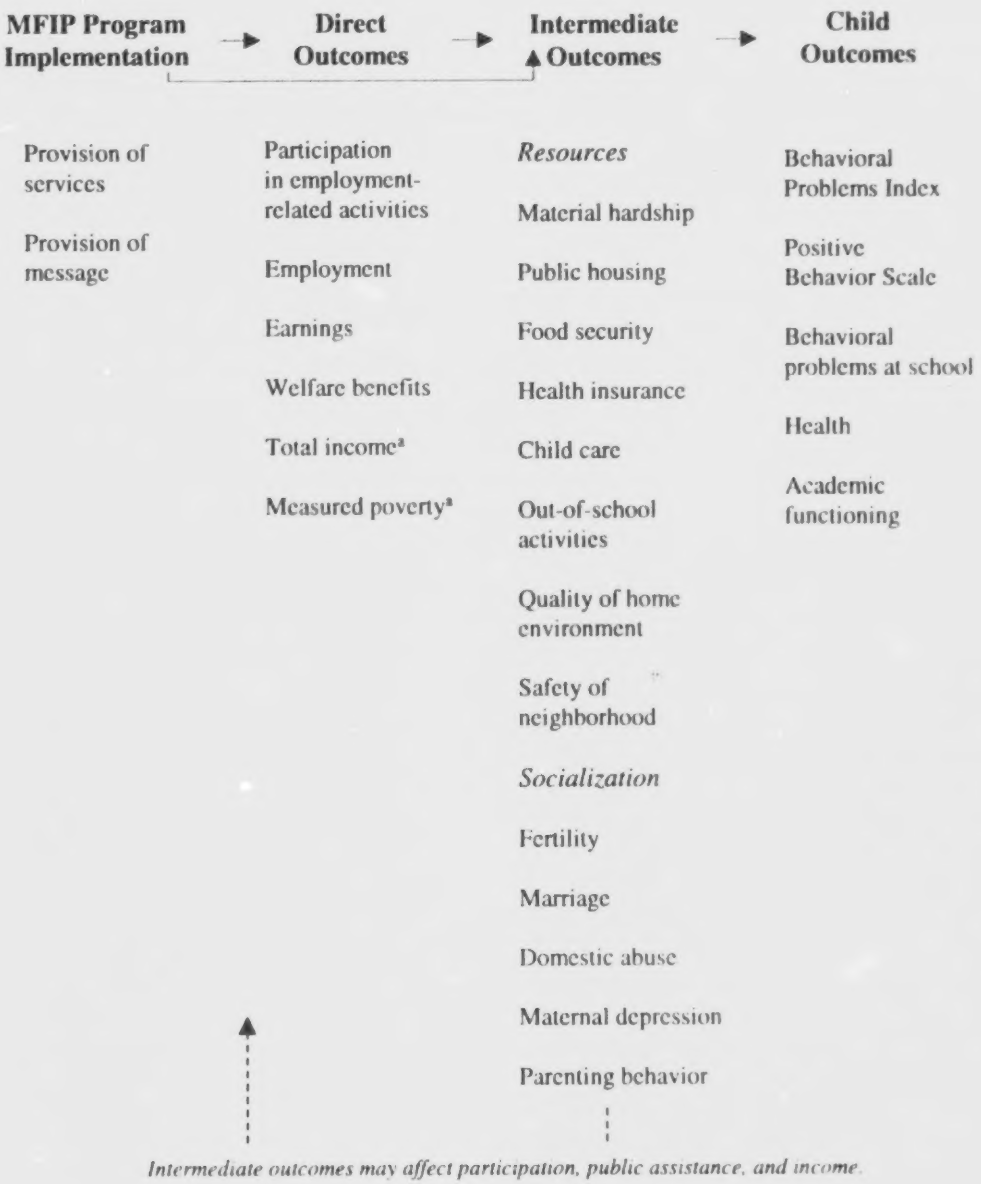
[1] For simplicity, outcomes were categorized under resources or socialization even if some outcomes, such as marriage, may be categorized under both.

Figure 3.1

Conceptual Model of the Effects of MFIP on Child Outcomes and the Actual Measures Used in the MFIP Child Study



MFIP Program Implementation	Direct Outcomes	Intermediate Outcomes	Child Outcomes
Provision of services	Participation in employment-related activities	*Resources*	Behavioral Problems Index
Provision of message	Employment	Material hardship	Positive Behavior Scale
	Earnings	Public housing	Behavioral problems at school
	Welfare benefits	Food security	Health
	Total income[a]	Health insurance	Academic functioning
	Measured poverty[a]	Child care	
		Out-of-school activities	
		Quality of home environment	
		Safety of neighborhood	
		Socialization	
		Fertility	
		Marriage	
		Domestic abuse	
		Maternal depression	
		Parenting behavior	

Intermediate outcomes may affect participation, public assistance, and income.

NOTES: Outcomes within each column may also interact with or influence each other. The intermediate outcomes are classified in this way for simplicity. In some instances an intermediate outcome, such as marriage, may affect children via both pathways.

[a] Calculated based on the sum of income from benefits and earnings.

Figure 3.2

Summary of the Significant Effects of MFIP on Child Outcomes for Long-Term Recipients in Urban Counties

MFIP Program Implementation	**Direct Outcomes**	**Intermediate Outcomes**	**Child Outcomes**
Provision of services	↑ **Participation in employment-related activities**	*Resources*	↓ **Behavioral Problems Index**
		Material hardship	
Provision of message	↑ **Employment**	Public housing	Positive Behavior Scale
	↑ **Earnings**	Food security	Behavioral problems at school
	↑ **Welfare benefits**	↑ **Health insurance**	Health
	↑ **Total income**[a]	↑ **Child care**	↑ **Academic functioning**
	↓ **Measured poverty**[a]	Out-of-school activities[b]	
		Quality of home environment	
		Safety of neighborhood	
		Socialization	
		Fertility	
		↑ **Marriage**	
		↓ **Domestic abuse**	
		Maternal depression	
		Parenting behavior	

NOTES: Any significant difference, at least at the .10 level, between the program group and the control group (the impact) is indicated in bold. The arrows next to bold items indicate the direction of the impacts.

Outcomes within each column may also interact with or influence each other. The intermediate outcomes are classified in this way for simplicity. In some instances an intermediate outcome, such as marriage, may affect children via both pathways.

[a] Calculated based on the sum of income from benefits and earnings.

[b] There was a significant decrease in one of the three measures of out-of school activities.

Compared with maternal reports of children in AFDC families, mothers in MFIP reported that their children scored significantly lower on the total Behavioral Problems Index (BPI) as well as on its externalizing subscale, and they scored significantly higher on a school engagement scale and on performance in school.

- **MFIP increased long-term recipients' employment, earnings, and income.**

MFIP significantly increased participation in employment-related activities, employment, earnings, and welfare income. Long-term recipients in MFIP were more likely than the AFDC group to work 20 to 34 hours per week, to earn a moderate wage, and to remain continuously employed during most of the follow-up period. These increases led to an overall increase in average income (measured as the sum of benefits and earnings), and they reduced measured poverty.

- **Children in MFIP were more likely to have continuous health insurance coverage.**

MFIP increased the likelihood that children were continuously covered by health insurance, most often through Medicaid or MinnCare. MFIP did not have any significant impact on maternal ratings of children's overall health or on the timing of visits to doctors and dentists. However, MFIP did increase the likelihood that *any* child in the family visited an emergency room or clinic in response to an accident, injury, or poisoning.

- **MFIP increased the use of child care, especially stable formal care as in a child care center. MFIP decreased children's participation in lessons, clubs, and similar activities and had no impact on children's participation in extended day programs or extracurricular activities.**

For long-term recipients, MFIP significantly increased the use of child care during the follow-up period, especially the use of formal arrangements as in a child care center. MFIP increased the number of months that children were in formal care and made it more likely that they continuously stayed in a formal care arrangement. MFIP decreased children's participation in lessons, clubs, and activities and had no effect on children's participation in extended day programs or extracurricular activities.

- **MFIP increased marriage among long-term recipients and reduced domestic abuse.**

MFIP increased the likelihood of participants' being married at the time of the 36-month interview. Consequently, children in MFIP were significantly more likely to live in two-parent families. Long-term recipients in MFIP reported fewer incidences of domestic abuse by intimate partners and others, including family members and unrelated individuals.

- **MFIP generally had no impact on the quality of the home environment or on maternal depression or parenting behavior.**

MFIP did not consistently affect measures of the quality of the home environment for children, including their engagement in cognitively stimulating activities such as reading or being taken to a museum; and it did not affect interviewers' assessments of the physical environment of the home, such as cleanliness and safety. MFIP's only effect across multiple measures of parenting was to increase supervision, or mothers' knowledge of their child's whereabouts while away from home. MFIP had no effect on maternal depression or on the incidence of being at high risk of clinical depression.

- **MFIP's effects were most pronounced for school-age children, girls, black children, and children of other nonwhite ethnicities. Furthermore, MFIP did no harm to the children of more disadvantaged long-term recipients.**

MFIP had more pronounced beneficial effects for school-age children than for preschool-age children, and these differences were statistically significant. The impacts of MFIP on child outcomes also were more pronounced for girls than for boys and for black children and children of other nonwhite ethnicities than for white children, although the differences in effects were not statistically significant. For parents, low education and limited work experience may be greater barriers to work than is prior welfare receipt. The group with five years of prior welfare receipt had higher employment rates during the follow-up period than the groups with low education and limited work experience, and the positive effects on intermediate and child outcomes occurred only for the group who had received welfare for more than five years. Most important, MFIP did not *negatively* affect the more disadvantaged families.

Although the findings summarized above do not support causal inferences, they are consistent with the pathways described in the general conceptual model (Figure 1.2), and they suggest ways in which MFIP may have affected child outcomes. For long-term recipients, MFIP significantly affected a number of outcomes that were primary targets of the program, including employment, earnings, and income. These impacts may have influenced multiple aspects of children's lives, in terms of both resources and socialization. For example, increased employment may have generated increased use of child care, and increased income or increased employment may have affected marriage or domestic abuse. All these impacts, in turn, likely influenced children's well-being.

II. MFIP's Impacts on Program Implementation, Employment, Income, and Resources

This section describes MFIP's effects on program implementation, on the primary targets of the program — employment, earnings, welfare income, and poverty — and on resources for the long-term recipients in urban counties. A more detailed discussion of the effects of MFIP on these outcomes for the entire MFIP evaluation sample is presented in Volume 1 (Miller et al., 2000). Its analyses on employment, earnings, and income are replicated here for two reasons: (1) impacts on employment may differ for long-term recipients who were mothers of young children (age 2 to 9 at random assignment) compared with all long-term recipients, and (2) an understanding of how MFIP affected children is facilitated by presenting in one report the full range of outcomes shown in the conceptual model.

A. Program Implementation

For MFIP to alter employment behavior effectively, its rules and incentives must be communicated and implemented correctly. Table 3.1 shows that recipients in the MFIP group had higher rates of participation in employment-related activities, especially job search (not

Table 3.1

MFIP's Impacts on Participation, Employment, Hours Worked, Wages, Number of Jobs Held, and Employment Stability for Long-Term Recipients in Urban Counties

Outcome	MFIP	AFDC	Difference (Impact)
Participation and employment since random assignment (%)			
Ever participated in an employment-related activity (from survey)	91.4	71.6	19.8 ***
Average quarterly employment rate (from administrative records)	72.8	57.7	15.1 ***
Worked since random assignment (from survey)	88.3	74.9	13.4 ***
Hours worked per week in current or most recent job (%)			
Did not work	11.7	25.1	-13.4 ***
Worked part time	25.4	17.5	7.9 **
1-19 hours	8.0	8.9	-0.9
20-29 hours	17.0	8.7	8.3 ***
Worked full time	62.6	57.4	5.2
30-34 hours	14.2	8.3	6.0 **
35-44 hours	40.8	39.7	1.1
45 hours or more	7.6	9.5	-1.9
Average hours worked among those employed	*33.3*	*34.8*	*-1.5*
Hourly wage in current or most recent job (%)			
Did not work	11.7	25.1	-13.4 ***
Less than $5	5.4	7.3	-1.9
$5 to $6.99	20.8	14.7	6.1 *
$7 to $8.99	33.3	25.6	7.7 **
$9 or more	27.7	26.2	1.5
Average wage among those employed ($)	*8.26*	*8.48*	*-0.22*
Number of jobs held since random assignment			
1	27.4	26.9	0.5
2 or 3	34.8	29.1	5.7
4 or more	15.4	10.8	4.6 *

(continued)

Table 3.1 (continued)

Outcome	MFIP	AFDC	Difference (Impact)
Employment stability			
Respondent worked since random assignment and reported all job dates	76.5	66.1	10.5 ***
First employment spell began within 12 months of random assignment	54.4	38.8	15.6 ***
First spell lasted less than 12 months	18.2	13.9	4.2
Employed after first spell	16.2	9.3	6.8 **
Not employed after first spell	2.0	4.6	-2.6 *
First spell lasted more than 12 months	36.2	24.8	11.4 ***
First employment spell began 12 or more months after random assignment	22.1	27.3	-5.2
Sample size (total = 587)	306	281	

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample sizes may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

Outcomes shown in italics are nonexperimental.

See text and Appendix C for details regarding the construction of outcomes.

shown), compared with recipients in the AFDC group who could voluntarily participate in employment services through STRIDE. As discussed in Volume 1, compared with recipients in AFDC, long-term recipients in MFIP were significantly more likely to understand that they were required to work and that they could receive child care and health benefits if they left welfare for work.

B. Employment, Earnings, Income, and Resources

The employment rate and welfare receipt rate were constructed as average quarterly measures over the follow-up period. For this report, welfare payments, earnings, and income from welfare and earnings were constructed and are presented as average annual measures. Welfare assistance is defined as the sum of payments from AFDC or MFIP, Family General Assistance, and Food Stamps. Because the overall averages of these outcomes over the 36-month period more closely depict permanent changes in a family's economic status, they are the most important from the perspective of affecting children's well-being.[2]

Impacts on Employment and Characteristics of Employment. Table 3.1 presents MFIP's impacts on employment and characteristics of employment. The average quarterly employment rate for recipients in AFDC during the 36-month follow-up period was 57.7 percent. MFIP significantly increased this rate, by 15 percentage points, for a 26 percent increase over the control group. The increase in employment was strongest during the first year after random assignment, at 17.7 percentage points, and gradually decreased by the third year after random assignment to 12.2 percentage points (not shown). The gradual increase in employment rates over time for long-term recipients in the control group contributed to the smaller impacts on employment during the third year of follow-up.

As was suggested in the brief literature review in Chapter 1 regarding the effects of employment on childrens' well-being, the characteristics of a mother's job and the stability of her employment may be relatively more important in affecting children's well-being than are the effects of *any* employment. The quality and stability of employment may also offset any detrimental effect of employment in general. For young school-age children in particular, mothers' part-time employment may not have a similar effect as full-time employment. For example, mothers with stable jobs or jobs with benefits may be less stressed, which in turn may affect the way they parent. Selected characteristics of maternal employment are available from the core section of the 36-month survey. These characteristics include hours of employment in a current or most recent job, wages for this job, benefits from this job (such as paid sick leave, paid vacation, and health benefits), and employment history — which can be used to determine the number of jobs held since random assignment or the duration of employment or job spells. A more complete discussion of the construction and interpretation of these outcomes and of MFIP's impacts on them can be found in Volume 1 (Miller et al., 2000).

Table 3.1 presents MFIP's impacts on a number of employment characteristics. MFIP significantly increased the likelihood that long-term recipients worked 20 to 34 hours per week and earned $5 to $9 per hour in their most recent or current primary job, compared with the control group.[3] MFIP also significantly increased the number of recipients who held four or more jobs over the three-year follow-up period. MFIP significantly increased the proportion of recipients who started work within 12 months of random assignment and who stayed employed for more than 12 continuous months. In summary, because of MFIP, recipients went to work. Compared with the AFDC group, their employment was more likely to be in a job with modest wages and for less than 34 hours per week, and their employment was fairly consistent during the follow-up period. However, these recipients were also more likely to have had four or more jobs over the follow-up period, and their most recent or current primary job was less likely to offer paid benefits, such as paid vacation and sick leave (not shown).

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[2] Note that instability of income may be equally important for children's well-being. However, because MFIP showed consistent positive impacts on income throughout the follow-up period, this section focuses on the importance of permanent changes in children's economic status.

Impacts on Earnings, Welfare, and Income. Table 3.2 presents MFIP's impacts on earnings, welfare, income, and the components of income. On average, long-term recipients in AFDC earned $3,906 per year during the 36-month follow-up period. MFIP significantly increased average annual earnings for long-term recipients over the 36-month follow-up period; they earned $751 more than the control group. These increases in average annual earnings persisted for two years after random assignment. By the third year after random assignment (not shown), although the impact on average annual earnings was still positive ($588), it was no longer significant.

By the third year of follow-up, nearly 76 percent of recipients in the AFDC group received welfare. MFIP significantly increased the average quarterly welfare receipt rate over the 36-month follow-up period, by 4.5 percentage points, for a 5 percent increase over the control group. The rate of welfare receipt, however, was not statistically different between the MFIP and AFDC groups until the third year of follow-up (not shown). While there was less than a 2 percentage point difference in the rate of welfare receipt between the two groups in year 1, this increased to a statistically significant 8 percentage point impact by year 3. MFIP also significantly increased average annual welfare payments over the 36-month follow-up period. By year 3, average annual payments were positive ($532) but not statistically different between single-mother recipients in MFIP and AFDC (not shown). The increase in welfare receipt is expected, because MFIP allows more working families to remain eligible for benefits.

The next outcomes presented in Table 3.2 are income and poverty. Income can be delineated in two different ways: as current income, which may fluctuate over time, or as permanent income, which represents a family's average income over a long period of time and, therefore, more closely depicts a family's steady economic status. Because children benefit more from permanent increases in income, MFIP's effects on permanent income are particularly important. The measure of permanent income shown in the table is average annual income from welfare and earnings over the 36-month follow-up period. This measure has two weaknesses: (1) permanent income may not be measured adequately over only a three-year time period, and (2)

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[3] The companion report notes that MFIP significantly increased full-time employment. The impacts on hours may be slightly different for this sample because of a different exemption on hours worked for sample members with a child under age 6. If a sample member had a child under age 6 and was working 20 hours per week, then the MFIP caseworker was required only to refer the participant to case management and did not necessarily require an increase in hours worked (that is, up to 30 hours per week).

Table 3.2

MFIP's Impacts on Earnings, Welfare, Income, and Poverty for Long-Term Recipients in Urban Counties

Outcome (%)	MFIP	AFDC	Difference (Impact)
Earnings and welfare since random assignment			
Average annual earnings ($)	4,657	3,906	751 *
Average quarterly receipt rate (%)	91.0	86.5	4.5 **
Average annual welfare benefit ($)	7,014	6,458	556 **
Income and poverty since random assignment			
Average annual income from welfare and earnings ($)	11,671	10,364	1,307 ***
Measured poverty[a] (%)	68.5	81.3	-12.8 ***
Income and poverty since random assignment with estimated EIC[b]			
Average annual income from welfare and earnings with estimated EIC ($)	12,734	11,128	1,606 ***
Measured poverty with EIC[a] (%)	57.7	74.5	-16.8 ***
Income sources			
Proportion of income from earnings[c] (%)	33.9	30.1	3.8
In last quarter of follow-up (%)			
Earnings, welfare	38.2	22.6	15.7 ***
Earnings, no welfare	18.4	25.9	-7.5 **
No earnings, welfare	33.7	42.8	-9.2 **
No earnings, no welfare	9.7	8.7	1.0
Sample size (total = 587)	306	281	

SOURCES: MDRC calculations using data over 12 quarters from Minnesota's Unemployment Insurance (UI) earnings records and welfare benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Rounding may cause slight discrepancies in sums and differences.

See text and Appendix C for details regarding the construction of outcomes.

[a] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

[b] These estimates are calculated assuming that all eligible individuals received both the federal and the state Earned Income Credit (EIC). Estimated payroll taxes and federal and state income taxes are also subtracted.

[c] Proportion of income is an average over three years. It is slightly different from average earnings divided by average income.

this measure of income does not include income from sources other than the mother's welfare and earnings, such as the earnings from other members of the household or a spouse. Despite these weaknesses, this measure of permanent income is a more accurate representation of income than a shorter-term snapshot of current income.[4] The table also presents income and poverty outcomes that adjust for benefits received through the federal and state Earned Income Credits (EIC, also known as EITC) as well as any federal and state taxes paid. The EIC has become an increasingly important transfer program for low-income families that also provides a strong incentive to work.

Table 3.2 shows that before adjustments for the EIC and taxes, average annual income from welfare and earnings for recipients in AFDC during the 36-month follow-up period was $10,364. MFIP significantly increased average annual income from welfare and earnings, by $1,307, or 13 percent. The increase was relatively similar for each of the three years during the follow-up period, and much of the income increase during the first two years after random assignment can be attributed to an increase in earnings (not shown). Moreover, based on welfare and earnings, MFIP reduced the number of recipients below the poverty level by 12.8 percentage points, a 16 percent reduction compared with the control group. After adjustments for the EIC and taxes, MFIP significantly increased total income by $1,606 and reduced measured poverty by 16.8 percentage points, a 22 percent reduction compared with the control group.

The final set of outcomes presented in Table 3.2 are measures of income sources, or composition. Although MFIP families were more likely to receive welfare during the follow-up period, on average a slightly higher proportion of their income came from earnings (33.9 percent versus 30.1 percent for the AFDC group), although this difference is not statistically significant. In the last quarter of follow-up, recipients in the MFIP group were significantly more likely to combine welfare and work (15.7 percentage points), less likely to rely solely on earnings (7.5 percentage points), and less likely to rely solely on welfare (9.2 percentage points). This is as expected, given the structure of MFIP's financial incentives.

Impacts on Resources. MFIP increased employment and income as measured by earnings and welfare benefits. MFIP also may have significantly affected the consumption of goods that satisfy basic needs — such as food, electricity, and doctor's visits — and thus the level of financial strain on the family. Because MFIP is structured to allow families to combine welfare and work, recipients continue to be tied to the public assistance system, and so they may be more likely to utilize public benefits such as Medicaid. An additional benefit of being tied longer to the welfare system through MFIP — and of cashing out Food Stamps and of having MFIP staff reinforce the availability of transitional benefits — is that working parents may be more likely to continue to receive public health insurance benefits or Food Stamp benefits.[5] Recent studies suggest that the receipt of Food Stamp benefits could significantly decrease the number of children currently in extreme povrty (for example, Sherman, 1999). Because having health insurance may increase the likelihood of routine medical care, contact with medical professionals, and care during emergencies, children in MFIP may be at reduced risk of poor health. Table 3.3 presents MFIP's impacts on material hardship, food security and children's health insurance coverage.

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[4] Measures of total income in the month prior to the interview date are available from the survey. As a snapshot at one point in time, this measure of current income may not represent the typical income level in the family. A full discussion of impacts on the components of current income is included in the companion report. MFIP's impacts on these components are similar for this study and the study of adult outcomes (Miller et al., 2000).

[5] With the dismantling of the AFDC program and the imposition of time limits, many families may assume that they are no longer eligible for Food Stamp benefits.

Data about noncash benefits and material hardship are collected from the core section of the 36-month survey. These outcomes are not specific to the focal child but rather depict the overall well-being of the family. A mean score was created from a series of statements about financial strain (Perceptions of Financial Strain) that ranges from 1 to 4, with a higher score indicating greater financial strain. These items include "My financial situation is better than it's been in a long time" and "I worry about having enough money in the future." Mothers also responded either "yes" or "no" to a series of questions about being able to meet such basic needs as paying rent or seeing a doctor. A summary score of these items (Material Hardship Index) was created that ranges from 0 to 7, with a higher score indicating a greater level of material hardship. In addition to these two scales, three variables depict the family's housing status: home ownership, public or subsidized housing, and other housing (for example, leased or rented). Technical details about these scales and outcomes are presented in Appendix C.

As shown in Table 3.3, for recipients on AFDC, the mean level of financial strain is 2.9 (of a maximum of 4), and the mean level of material hardship is 1.6 (of a maximum of 7). These levels suggest that although perceptions of financial strain were somewhat high, mothers still felt that they could meet their family's basic needs. Recipients in MFIP reported similar levels of financial strain and material hardship. The majority of recipients in AFDC did not own their home or live in public or subsidized housing; most lived in other housing such as a rented home or room. MFIP did not significantly affect recipients' housing status.

Measures of food security were constructed from maternal reports about the kinds of foods eaten in the household and whether or not any children had to skip meals. Approximately 80 percent of recipients in AFDC reported that their family had enough food to eat in the month prior to the interview, and 4 percent reported that at least one of their children skipped a meal because there was not enough money for food. MFIP did not have any effect on these outcomes. Finally, it is important to note that because MFIP packages Food Stamp benefits, Family General Assistance, and welfare into one cash transfer, and because MFIP keeps families tied to the public assistance system, these children may have benefited indirectly from the continued receipt of Food Stamps even after their families were no longer eligible for cash assistance.[6]

Measures of health insurance in Table 3.3 were constructed from the core survey, which asked detailed questions about health insurance coverage, including private coverage (for example, from an HMO) and public health insurance coverage (Medicaid or MinnCare). Sixty-seven percent of AFDC long-term recipients reported that their children were continuously covered by health insurance during the past 36 months. MFIP significantly increased the number of children continuously covered by health insurance, and it significantly increased the likelihood that these children were covered by Medicaid or MinnCare at the time of the survey. Compared with children in AFDC families, children in MFIP families were nearly 9 percentage points more

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[6] The receipt of Food Stamp benefits may not be separated from receipt of other welfare benefits for children in MFIP. Consequently, Food Stamp receipt is not examined as an individual outcome.

Table 3.3

MFIP's Impacts on Material Hardship, Food Security, and Health Insurance for Long-Term Recipients in Urban Counties

Outcome	MFIP	AFDC	Difference (Impact)
Material hardship			
Perceptions of financial strain	2.8	2.9	-0.1
Index of material hardship	1.6	1.6	0.0
Own home (%)	12.8	15.3	-2.6
Live in public or subsidized housing (%)	17.2	19.4	-2.2
Live in other housing (%)	70.1	65.2	4.9
Food security			
In last month, family had enough to eat (%)	79.8	80.1	-0.3
In the last month, did any children skip a meal because not enough money for food? (%)	5.9	3.9	2.0
Health insurance			
Children continuously covered by health insurance during past 36 months (%)	75.5	67.0	8.5 **
In the last month, were children covered by Medicaid or MinnCare? (%)	73.9	67.6	6.3 *
In the last month, were children covered by private insurance? (%)	20.9	23.9	-3.0
Sample size (total = 587)	306	281	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See text and Appendix C for details regarding the construction of outcomes.

likely to have had continuous coverage and were 6 percentage points more likely to be covered by Medicaid or MinnCare.

III. MFIP's Impacts on Child's and Family's Environment

This section presents MFIP's effects on various aspects of the child's and family's environment, beginning with MFIP's impacts on child care and out-of-school activities. Section II showed that, compared with AFDC, MFIP increased average quarterly employment rates by 26 percent and increased income by 13 percent. Some of this employment was full time (at least 30 hours per week), and some of it was part time (20 to 29 hours per week). Mothers who work full time may need different child care arrangements than those who work part time. Furthermore, apart from fulfilling any child care needs, mothers may invest their increased income in supervised out-of-school activities for their children to help prevent high-risk behaviors like smoking, drinking, and criminal activities.

The next part of this section presents MFIP's impacts on the child's home and neighborhood environments. MFIP's impacts on parents' employment and income may affect a number of characteristics about a child's environment both within the home (such as living with another parent or having more books) and outside the home (such as moving into a safer neighborhood or being able to go to the museum more often). Long-term recipients in MFIP may use their increased income to invest in their children's environment.[7] These mothers may purchase such items as books or music instruments, may improve the interior conditions of their home, or may move into safer neighborhoods. The home environment accounts for a substantial portion of the effect of low income or poverty on the cognitive development of preschool children and on the achievement test scores of elementary school children (Duncan, Brooks-Gunn, and Klebanov, 1994; Korenman, Miller, and Sjaastad, 1995; Garrett, Ng'andu, and Ferron, 1994). The quality of the home environment is also predictive of a child's future intellectual development and is an early indicator of developmental risks (for a review, see Center for Human Resource Research, 1993). Living in a neighborhood of higher socioeconomic status is also associated with better child and adolescent outcomes (Brooks-Gunn et al., 1993; Duncan, Brooks-Gunn, and Klebanov, 1994).

For information about selected child care outcomes, see Box 3.1. For information about outcomes that measure the quality of the home environment, see Box 3.2. Details about these outcomes are discussed in Appendix C.

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[7] Another important aspect of a child's environment that may be affected by MFIP is stability. Family instability is associated with young children's externalizing behavior (Ackerman et al., 1999). Aspects of family instability include number of moves or residence changes, number of primary caregiver's intimate relationships, number of families the child lives with, and primary caregiver's job turnover. While participation in MFIP may lead to a change in one or more of these events, such as moving to another neighborhood, these events are also more likely to consequently remain stable. Summary measures of family stability are not examined in this report but may be explored in future analyses.

Box 3.1

Child Care

Information about child care for the focal child was collected in the child section of the survey. Details about the construction of these outcomes can be found in Appendix C.

Type of Child Care Used. The survey collected information from mothers about any child care arrangement used at least once a week for a month or more since random assignment. These arrangements are categorized into informal care, formal care, never used formal/informal child care, and self-care. With the exception of never used child care, these categories are not mutually exclusive; that is, children in self-care may have also been in informal care at some time during the follow-up. Informal care includes care by the child's father, siblings, grandparents, or a relative; the mother's spouse or partner; or a baby-sitter not related to the child. Formal care includes center-based or group care; summer daycare or extended day programs; and clubs, lessons, or activities.

Out-of-School Activities. Because a majority of the focal children in recipient families were school-age by the time of the interview, and because participation in out-of-school activities or supervised activities may benefit school-age children, impacts are presented on attendance in extended day programs; participation in lessons, clubs, or activities; and participation in extracurricular activities. The first two measures are subsumed in the category of formal child care. The last measure is constructed from three separate questions asked in a different part of the child section of the survey about the focal child's participation in (1) lessons, such as music, dance, language or computer; (2) clubs or organizations, such as scouts, religious groups, or girls' or boys' clubs; and (3) sports teams. Although the measure of extracurricular activities somewhat overlaps the first two measures, it may capture some different aspects of children's care in cases where mothers do not think of extracurricular activities as "child care."

Child Care Quality. Measures of child care quality were constructed from a 12-item Emlen scale. Mothers reported the extent to which, during the week prior to the interview, they felt that their primary child care arrangement was safe and secure, treated the child with respect, and handled discipline matters appropriately. This information was collected for both formal and informal child care arrangements, and three scales were constructed: a total Emlen scale (all items), a warmth subscale (five items), and a safety subscale (three items). Any score above 36 for the total Emlen, above 15 for the warmth subscale, and above 9 for the safety subscale is considered to indicate "high quality." Thus, the outcomes are equal to zero for those who scored lower than these values and for those who did not report using child care in the week prior to the interview.

Child Care Stability. In addition to general information about the types of child care used since random assignment, mothers were asked to complete a child care calendar.* From this calendar, a month-by-month history of child care was constructed by analyzing data for 36 months after the date of random assignment. Outcomes were constructed about the total number of months a child was in formal or informal care, the total number of months in one arrangement, and the consistency of care (that is, the length of child care spells) during the 36-month follow-up period.

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*Information for the child care calendar was collected by computer and could be viewed on-screen by the mother. To help assess the stability of child care, interviewers marked on the calendar the focal child's birth date and the start and end dates of any jobs the mother held since random assignment.

Table 3.4 presents MFIP's impacts on child care and out-of-school activities. In general, and perhaps unsurprisingly, long-term recipients on AFDC reported a relatively higher use of informal care (68 percent) than of formal care (42 percent). This may indicate that formal child care is more difficult to find and afford, that mothers have a preference for informal care, or that informal care is commonly used in addition to formal care. Approximately 33 percent of AFDC recipients reported using both formal and informal care during the 36-month follow-up period (not shown). MFIP significantly increased the use of child care, particularly formal care. Long-term recipients in MFIP were 10.6 percentage points, or 25 percent, more likely to use formal care and 7.5 percentage points, or 11 percent, more likely to use informal care than AFDC families. The increase in the use of formal care was especially concentrated in center-based or group care (not shown).

The patterns of impacts on participation in formal and informal child care over the 36-month follow-up period are presented in Figures 3.3 and 3.4. Figure 3.3 suggests that MFIP increased the use of formal child care throughout the 36-month follow-up period; the impacts were significant for 18 of the 36 months. In Figure 3.4, despite a significant increase in MFIP families' ever using informal care (that is, their use of informal care increased at a higher rate than the control group's), the month-by-month use of informal care during the follow-up period was less for MFIP long-term recipients than for AFDC families. MFIP's impacts on informal care were significant for 12 of the 36 months. These differences in the effects of MFIP on ever using informal care versus the month-by-month use of informal care suggest that AFDC mothers were more likely to keep their children in informal daycare arrangements.

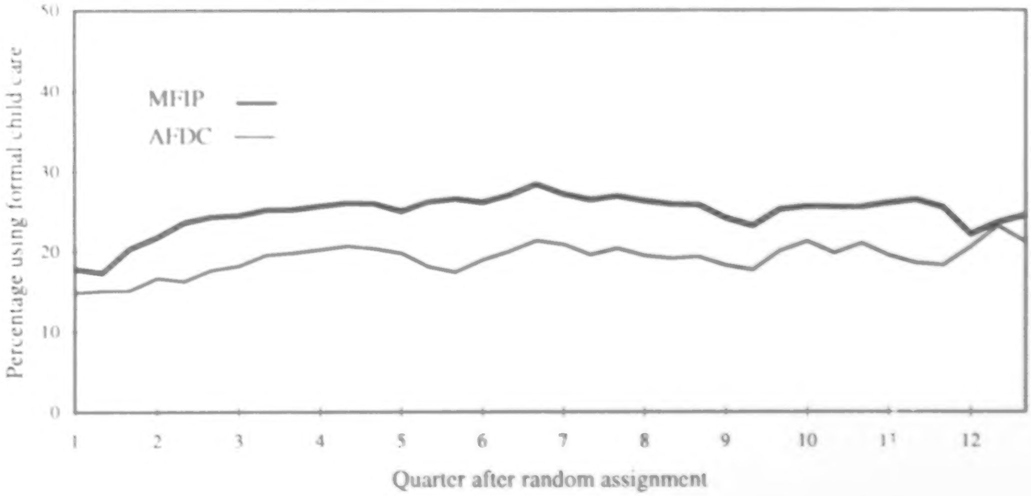
Table 3.4 also shows that MFIP did not significantly increase children's self-care during the follow-up period and that similar percentages of focal children in both groups participated in some kind of extracurricular activity; nor did it have an impact on participation in extended day programs. MFIP did, however, significantly decrease participation in lessons, clubs, and similar activities. In general, there is not a consistent pattern that suggests that MFIP affected focal children's participation in out-of-school activities. Either MFIP long-term recipients worked hours such that they could supervise their children during out-of-school hours, or they did not use their increased income to invest in extracurricular or out-of-school activities for their children to the degree that AFDC families did.

The last panel of Table 3.4 presents measures of child care quality. Whereas 37 percent of long-term recipients in the AFDC group rated their child care arrangement as being of relatively high quality, only 33 percent of the MFIP group did so (difference not statistically significant). The two groups gave similar ratings to the warmth of the child care provider and the safety of the child care arrangement. It appears that long-term recipients in MFIP and in AFDC were equally satisfied with the quality of their primary child care arrangement. Unfortunately, measures of child care quality were not collected throughout the follow-up period, during which MFIP families were significantly more likely to use formal child care arrangements compared with AFDC families.

Next, Table 3.5 presents MFIP's effects on the extent and stability of child care. On average, children of AFDC recipients were in formal care for 7 months and in informal care for 13 months over the 36-month period. MFIP significantly increased the total number of months that

Figure 3.3

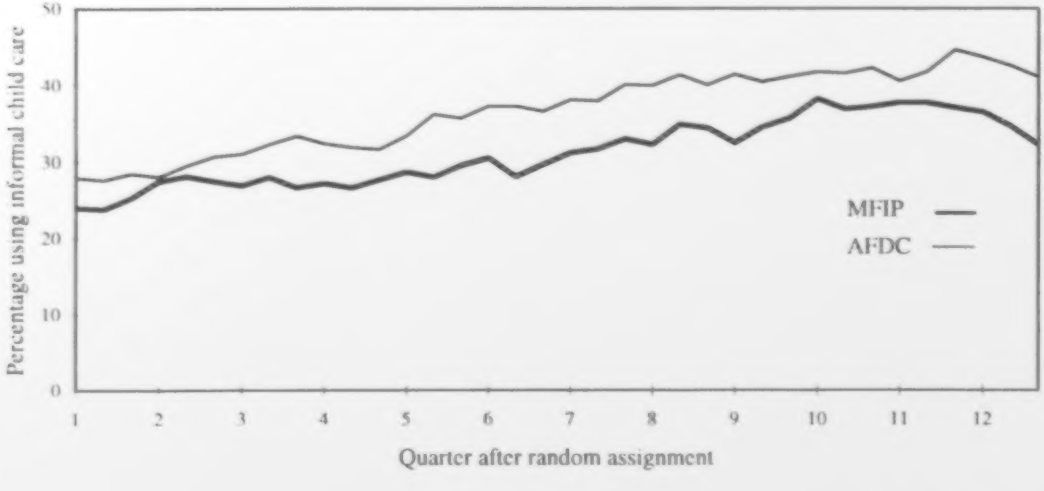
Quarterly Participation in Formal Child Care for Focal Children of Long-Term Recipients in Urban Counties



SOURCE: MDRC calculations using data from the 36-month client survey.

Figure 3.4

Quarterly Participation in Informal Child Care for Focal Children of Long-Term Recipients in Urban Counties



SOURCE: MDRC calculations using data from the 36-month client survey.

Table 3.4

MFIP's Impacts on Child Care and Out-of-School Activities for Long-Term Recipients in Urban Counties

Outcome	MFIP	AFDC	Difference (Impact)
Child care used since random assignment			
Never used child care (%)	12.1	22.0	-9.9 ***
Formal child care (%)	52.8	42.3	10.6 ***
Informal child care (%)	75.2	67.7	7.5 *
Self-care (%)	13.7	16.2	-2.5
Out-of-school activities since random assignment			
Attended extended day program (%)	19.0	17.3	1.7
Participated in lessons, clubs, or activities (%)	4.1	9.3	-5.2 **
Participated in extracurricular activities (%)	55.6	53.9	1.7
Child care in week prior to interview			
Primary care in last week was formal care (%)	17.8	16.0	1.8
Primary care in last week was informal care (%)	26.5	33.6	-7.1 *
Total hours in care last week	9.4	10.0	-0.6
Total hours in self-care last week	1.8	0.8	1.0
For primary child care arrangement[a]			
Perception of high quality overall (%)	33.0	37.0	-3.9
Perception of high-quality warmth (%)	33.5	36.1	-2.7
Perception of high-quality safety (%)	37.2	40.7	-3.5
Sample size (total = 587)	306	281	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See text and Appendix C for details regarding the construction of outcomes.

[a] These measures were constructed using outcomes measured in the week prior to the interview from the Emlen scale; see Boxes 3.1 and 4.1 for details.

Table 3.5

MFIP's Impacts on the Extent and Stability of Child Care for Long-Term Recipients in Urban Counties

Outcome	MFIP	AFDC	Difference (Impact)
Extent of child care since random assignment			
Total months in formal care	8.9	6.9	2.1 **
Total months in informal care	11.2	13.2	-2.0
Total months with one arrangement	15.2	13.3	1.9
Stability of child care since random assignment			
Not missing child care calendar information (%)	88.1	83.2	4.9
Any child care (%)	78.2	71.9	6.3 *
Any formal child care (%)	46.4	36.6	9.8 **
First formal care spell started within 12 months (%)	33.5	25.8	7.8 **
Spell lasted less than 12 months (%)	12.7	13.0	-0.3
Spell lasted more than 12 months (%)	20.9	12.8	8.1 **
First informal care spell started within 12 months (%)	39.3	41.3	-2.0
Spell lasted less than 12 months (%)	17.3	13.4	3.9
Spell lasted more than 12 months (%)	22.0	27.8	-5.8
Sample size (total = 587)	306	281	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Rounding may cause slight discrepancies in sums and differences.

See text and Appendix C for details regarding the construction of outcomes.

the focal child spent in formal care (by two months, or 30 percent), and it significantly decreased the number of months in which the child had two or more arrangements (not shown). MFIP did not significantly affect children's total number of hours in child care or self-care in the week prior to the interview date (shown in Table 3.4). This is not surprising, because MFIP also did not significantly increase the use of child care in the week prior to the interview date (not shown). Thus, although MFIP affected the use of child care and its duration over the three-year period, by the end of the period MFIP had no effect on weekly use or hours of child care.

Regarding the stability of child care arrangements, the second panel of Table 3.5 shows that MFIP increased the percentage of long-term recipients who used formal care during the period (by 9.8 percentage points) and that most of this increase was among long-term recipients who started using formal care within the first 12 months after random assignment. In addition, MFIP increased the number of long-term recipients who started using formal care within the first 12 months *and* continuously used that type of care for 12 months or more.[8] Thus, MFIP increased the use of stable formal care. MFIP did not have statistically significant effects on the timing or stability of informal care.

To assess MFIP's impacts on the child's and family's home environment, a scale was created from items adapted from the Home Observation for Measurement of the Environment (HOME) scale (Caldwell and Bradley, 1984). The scale used in this report resembles a modified version of the HOME scale, called the HOME-Short Form (HOME-SF), which was created in the National Longitudinal Survey of Youth (NLSY; Baker et al., 1993). Table 3.6 shows that, out of a maximum possible score of 99 on the total HOME scale, the average rating of the home environment for children in AFDC families was about 76 — the same as for children in MFIP families. MFIP did not affect the home environment, as measured by this study's construction of the HOME score and its subscale (see Box 3.2).[9]

In the core section of the 36-month survey, mothers were asked how often their family had moved since random assignment. As shown in Table 3.6, on average, AFDC recipients had moved two times, and MFIP families had moved nearly as often. In the child section of the survey, mothers were asked to rate the safety of their child's neighborhood. A child was coded as living in a safe neighborhood if the mother responded that her child's neighborhood was very safe or somewhat safe when the child was outside during the daytime. In the AFDC group, a majority of recipients (74 percent) responded that their neighborhood was safe or somewhat safe for their children during the day. MFIP did not significantly affect maternal perceptions of neighborhood safety.

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[8] This outcome does not capture whether or not children were switching among different types of formal child care arrangements during the follow-up period.

[9] Modified versions of the HOME-SF cognitive subscale and of the routines subscale were constructed to be comparable as well with the studies in the Project on State-Level Child Outcomes. The cognitive stimulation score was coded dichotomously, similar to the NLSY, and comprises 11 items. The routines score is a sum of five items. MFIP had a significant positive impact on the routines subscale but not on the cognitive subscale. Note that these modified scores and the factor-analyzed score overlap by five items for the cognitive stimulation score and by four items for the routines score. Details about the factor analyses of the Project on State-Level Child Outcomes HOME subscales are included in Appendix C.

Table 3.6

MFIP's Impacts on the Home Environment and Neighborhood for Long-Term Recipients in Urban Counties

Outcome	MFIP	AFDC	Difference (Impact)
Quality of home environment			
Total HOME scale	75.7	75.5	0.2
HOME cognitive subscale	25.8	25.8	0.0
HOME routines subscale	16.4	16.2	0.2
HOME physical environment subscale	24.6	24.7	-0.1
Neighborhood			
Live in a safe neighborhood (%)	73.4	74.0	-0.6
Number of moves since random assignment	1.9	1.7	0.2
Sample size (total = 587)	306	281	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See text and Appendix C for details regarding the construction of outcomes.

Box 3.2

The Quality of the Home Environment

A large portion of the child section of the 36-month survey is allocated to collecting information about the focal child's home environment. All home environment items were recoded to range from 1, the least favorable score, to 3, the most favorable score (Polit, 1996). From these multiple items, four internally consistent scales of the home environment were constructed. Further details about these outcomes and the internal consistency of the HOME scale can be found in Appendix C.

Total HOME Score. This score is an overall measure of the quality of the child's home environment and was constructed from more than 30 items. The possible range of the total HOME score is from 33 to 99.

HOME Cognitive Score. This score measures the quality of the child's environment in terms of cognitive stimulation and includes such items as going to a museum, reading to the child, and owning a musical instrument. The HOME cognitive score is the sum of 12 items and has a possible range from 12 to 36.

HOME Routines Score. This score measures the extent to which the focal child engages in similar activities at the same time each day, and it includes such items as going to bed at a regular time and doing homework at the same time each evening. The HOME routines score is the sum of seven items and has a possible range from 7 to 21.

HOME Physical Environment Score. This score measures the quality of the physical interior and exterior of the child's home and neighborhood, as assessed by the interviewer, and it includes such items as the presence of artwork on the walls, whether the home is visibly clean, and whether the neighborhood is well kept.* The HOME physical environment score is the sum of 10 items and has a possible range from 10 to 30.

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*Interviewer assessments are missing for approximately 12 percent of the analysis sample (of the 1,900 families) primarily because interviews were conducted over the phone.

IV. MFIP's Impacts on Parent-Child Relationships and Family Functioning

Increased employment may increase parents' stress in balancing the demands of work and family, and it may also increase their self-esteem or feelings of self-worth. In addition, increased income may decrease stress. These are some ways in which MFIP may have affected marriage, parent-child relationships, and family functioning. This section presents MFIP's impacts on household composition, domestic abuse, psychological functioning, and parenting. Measures of the last three impacts were collected from the child section of the 36-month survey. Recall from Chapter 2 that these data were collected via Audio-CASI interviews and that preliminary analyses of the effectiveness of the CASI mode indicate that it improved the reliability of information collected about these topics (Gallup-Black, 1999).

This section begins by presenting MFIP's impacts on fertility, marriage, and cohabitation. Increased employment and income may either positively or negatively affect the likelihood that single mothers will marry or remarry. That is, employment may increase the likelihood of marriage by expanding a single mother's social networks or by increasing her self-esteem or attractiveness to a potential partner; or employment may decrease the likelihood of marriage because the mother has less time available to search for a partner. Similarly, greater income may increase the likelihood of marriage either by increasing the mother's attractiveness to a potential partner or by decreasing the strain in a potential relationship with a partner; or increased income may decrease the likelihood of marriage if it makes a single mother more self-sufficient without a partner or spouse.

Independent of MFIP's effects on income and employment, elements of the program may also encourage marriage. First, MFIP streamlined the eligibility requirements for two-parent families in which each partner is the biological parent of the child. In contrast to the AFDC-UP (Unemployed Parent) program, MFIP did not require a work history or restrict the number of hours a primary earner could work in a month (AFDC's 100-hour rule). Second, MFIP increased the stepparent income disregard compared with AFDC; that is, if an MFIP single mother married someone who was not the biological parent of at least one of her children, a higher amount of that stepparent's income was not counted against welfare benefits. Children may benefit from living in a two-parent family (in the absence of domestic abuse or a lot of conflict). Children who are raised in single-parent families tend to complete less education and earn less as adults than their counterparts raised in two-parent families. They are also more likely to become teen parents and to receive welfare (for a review, see McLanahan and Sandefur, 1994).

The next sections present MFIP's impacts on domestic abuse, maternal psychological functioning (depression), and parenting behavior. There are a number of reasons why MFIP may have affected these outcomes. Due to financial strain on parents, poor children are more likely to be exposed to lower-quality parent-child interaction; to less responsive, less active, and less spontaneous parenting; to marital conflict; and to increased use of harsh punishment or inconsistent discipline practices (McLoyd and Wilson, 1991; Conger, Conger, and Elder 1997; Duncan and Brooks-Gunn, 1997b; McLloyd et al., 1994).[10] Parenting practices may also be affected by depression, which may in turn be affected by employment and income. Depressed mothers are more likely to have negative perceptions of their children and to exhibit harsh behavior toward them (McLoyd and Wilson, 1991). Many women who are welfare recipients have experienced and continue to be at risk for experiencing physical or emotional abuse. These women also are more likely to suffer from depression, persistent anxiety, low self-esteem, and post-traumatic stress disorder (Raphael and Tolman, 1997), which in turn may affect the quality of their interactions with their children.

Table 3.7 presents MFIP's impacts on marital status and fertility, domestic abuse, maternal psychological functioning, and parenting behavior. Of recipients in the AFDC group, 27 percent had a child during the 36-month follow-up period, and 6 percent were married at the time of

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[10] However, the relationship between parenting practices and income does not hold up when income is measured as an absolute level rather than as a change or loss from a previous period of time (Hanson, McLanahan, and Thomson, 1997).

Table 3.7

MFIP's Impacts on Household Composition, Domestic Abuse, Psychological Functioning, and Parenting Behavior for Long-Term Recipients in Urban Counties

Outcome	MFIP	AFDC	Difference (Impact)
Marital status and fertility			
Had a child since random assignment (%)	26.3	27.0	-0.8
Currently married and living with spouse (%)	11.3	6.2	5.0 **
Currently married to biological father (%)	2.7	0.9	1.8
Currently cohabiting (%)	14.6	18.5	-3.8
Currently cohabiting with biological father (%)	1.5	2.8	-1.3
Domestic abuse			
Mother abused by intimate partner last year (%)	21.8	28.5	-6.7 *
Abused by current partner (%)	19.9	26.3	-6.4 *
Abused by ex-partner (%)	17.2	25.4	-8.3 **
Abused by partner and ex-partner (%)	13.9	21.5	-7.6 **
Experienced physical abuse (%)	20.1	25.2	-5.1
Experienced nonphysical abuse (%)	7.2	9.7	-2.6
Experienced physical and nonphysical abuse (%)	5.5	6.5	-1.0
Mother abused by other person last year (%)	24.5	33.0	-8.4 **
Abused by family member (%)	19.4	24.6	-5.1
Abused by unrelated individual (%)	22.2	28.4	-6.2
Abused by family and unrelated individual (%)	15.3	15.1	0.2
Experienced physical abuse (%)	23.5	30.7	-7.2 *
Experienced nonphysical abuse (%)	6.1	7.1	-1.0
Experienced physical and nonphysical abuse (%)	5.0	4.8	0.2
Mother ever abused in last 3 years (%)	49.1	59.6	-10.5 **
Maternal psychological functioning			
Depression scale	17.5	19.0	-1.5
At high risk of clinical depression (%)	28.8	31.6	-2.8
Parenting behavior			
Aggravation scale	1.8	1.9	-0.1
Feeling less aggravated (%)	94.4	93.0	1.5
Warmth scale	3.4	3.5	0.0
Harsh-parenting scale	1.7	1.7	0.0
Frequency of harsh parenting	2.3	2.4	-0.1
Supervision scale	4.7	4.5	0.1 **
Sample size (total = 587)	306	281	

(continued)

Table 3.7 (continued)

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See text and Appendix C for details regarding the construction of outcomes.

the 36-month interview. MFIP did not have a statistically significant effect on the likelihood of having a child during the 36-month follow-up period or on cohabitation with a partner. However, it did increase the number of mothers who reported being married at the time of the interview, by 5 percentage points (from 6.2 percent for the AFDC group to 11.3 percent for the MFIP group). From information about contact with and residential status of the biological father, a measure of marriage to the biological father was constructed; MFIP did not significantly affect the incidence of marriage or residence with the biological father.

In general, the proportion of long-term recipients who were married at the 36-month follow-up point was small. Nonetheless, these impacts on marriage suggest that income measured from administrative records may not have captured all the income available to children and families in MFIP. In fact, impacts on current income measured from the survey, which includes income from other members of the household, show that the contribution of income from other earners is significantly lower for the MFIP families compared with the AFDC families.[11]

The second panel of Table 3.7 presents MFIP's impacts on domestic abuse. Recipients were asked a series of questions about their life circumstances, including whether or not intimate partners or others ever abused them (by yelling, controlling behavior, physical abuse, sexual abuse, or threats). Nearly 29 percent of AFDC recipients reported being abused by an intimate partner in the last year, and 33 percent were abused by someone other than an intimate partner. Most of the abuse by intimate partners related to current as well as ex-partners (21.5 percent), and about a quarter of the abuse by intimate partners included some kind of physical abuse. Some of the abuse by others was perpetrated by family members (24.6 percent), and some was perpetrated by unrelated individuals (28.4 percent); nearly all the abuse was physical abuse (30.7 percent). Among the AFDC group, nearly 60 percent reported being abused during the last three years. All these proportions are closely comparable to available estimates of the incidence of domestic abuse among similar populations.[12]

MFIP significantly reduced domestic abuse. Long-term recipients in MFIP were nearly 7 percentage points less likely to report having been abused by an intimate partner in the last year, a 23 percent decrease; and were 8 percentage points less likely to report having been abused by someone other than an intimate partner, a 26 percent decrease. Recipients in MFIP were also 11 percentage points less likely to have been abused during the last three years, an 18 percent decrease from AFDC recipients. MFIP significantly reduced reports of abuse by current and ex-partners as well as reports of physical abuse by unrelated individuals such as strangers and co-workers.

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[11] Note that because of different incentives to report earnings and other income in the survey, income measured from the survey may be biased.

[12] Estimates of the prevalence of domestic violence among welfare recipients range from 39 to 65 percent (Raphael and Tolman, 1997). These estimates are based on four studies of female welfare recipients in New Jersey, Massachusetts, and Chicago.

The third panel of Table 3.7 shows that approximately one-third of both AFDC and MFIP mothers reported symptoms that suggested they were at high risk of clinical depression, and yet the last panel shows that over 90 percent of both groups reported that they were not highly aggravated or frustrated with aspects of parenting (see Box 3.3). AFDC and MFIP long-term recipients also scored similarly on a number of parenting measures — aggravation, warmth, harsh parenting — on outcomes measuring the extremes of these parenting measures (such as scoring above the 75th percentile or below the 25th percentile as determined based on the control group) and on combinations of these parenting measures (not shown). The only exception was mothers' supervision of their children. Recipients in MFIP scored higher on supervision and monitoring than recipients in AFDC. In general, however, MFIP had little effect on parenting behavior, and it had no effect on recipients' depression.

V. MFIP's Impacts on Child Outcomes

The results presented so far indicate that MFIP had significant and wide-ranging effects on long-term recipient families in urban counties. MFIP increased employment and income, increased the use of child care, increased marriage, and decreased the incidence of domestic abuse. As the conceptual model (Figure 1.2) indicated, each of these factors is thought to have important effects, either directly or indirectly, on children's well-being. This section presents MFIP's effects on child outcomes in three areas: social and emotional adjustment, health, and school progress. All the outcomes, with the exception of one, refer to the focal child in the family. Appendix C contains details about the construction of each outcome.

As noted earlier, an extensive amount of research has documented that several aspects of the family environment affect children's behavior and emotional well-being. For example, the emotional well-being of parents is highly predictive of parenting practices that affect children's emotional and cognitive well-being (Aber, Brooks-Gunn, and Maynard 1995; Duncan, Brooks-Gunn, and Klebanov, 1994). Family structure has also been found to affect this aspect of children's well-being; children in single-parent families experience more behavioral problems than their counterparts in two-parent families (McLanahan and Sandefur, 1994). Behavioral problems during childhood, in turn, have been found to be associated with problems in school and during young adulthood (Caspi et al., 1998). In addition, drug use and criminal activity have been found to have negative effects on youth's education and employment prospects (Freeman and Blanchflower, 1999). Several outcomes are examined that measure both positive and negative behaviors among the focal children.

Health is another aspect of children's well-being that is influenced by family resources and has important consequences for their well-being later. Children in families with low income, for example, are less likely to receive routine, preventive healthcare, and they tend to be in poorer health than children from higher-income families (Klerman, 1991). In addition, children's health may be influenced by the types of jobs their parents hold. For example, low-income parents often work in jobs that do not offer paid sick leave (Heymann and Earle, 1997). These parents may find it difficult to tend to their children's illnesses, whether or not the children are covered by health insurance. Not surprisingly, children's health status affects other aspects of their well-being, such as performance in school (Miller and Korenman, 1993)

Box 3.3

Maternal Psychological Functioning and Parenting Behavior

Measures of maternal depression and parenting behavior are based on information collected in the self-administered (Audio-CASI) portion of the child section of the 36-month survey. Details about the construction of these outcomes can be found in Appendix C.

Maternal Psychological Functioning. Maternal depression was measured from maternal responses to a 20-item CES-D (Center for Epidemiological Studies-Depression) scale (Radloff, 1977). Mothers were asked, for example, how often they "were bothered by things," "felt fearful," and "had crying spells" during the past week. Maternal responses were collected on a 4-point scale ranging from 0 ("rarely or none of the time") to 3 ("most of all of the time"). These items were summed, with a higher score indicating more depressive symptoms. The possible range of this score is 0 to 60. If the summed score was above 23, then a mother was coded as being at high risk of being clinically depressed.

Aggravation. The first measure of parenting in Table 3.7 depicts aggravation in the parenting role and includes maternal responses on a 4-point scale ranging from 1 ("none of the time") to 4 ("all of the time") to such questions as: "Is child harder to care for than most?" "Does the child do things that really bother you?" "Have you felt you are giving up more of your life to meet your child's needs?" and "Have you felt angry with your child?" A mean score of these items was created, with a higher score indicating greater aggravation. A measure of low aggravation, or "feeling less aggravated," was also created if a mother scored below 12 on the aggravation scale.

Maternal Warmth. Mothers were asked about the number of times during the past week they showed the focal child physical affection, praised the focal child for doing something worthwhile, and told another adult something positive about the focal child. These items were recoded to a scale ranging from 1 to 4, from which a mean score was created.

Harsh Parenting. Mothers were asked about the number of times during the past week that they spanked the focal child; scolded, yelled, or threatened the focal child; and got really angry with the focal child. These items were recoded to a scale ranging from 1 to 4, from which a mean score was created; in addition, the frequency of harsh parenting was measured by the maximum of the recoded items. The maximum better captures the incidence of harsh parenting if it exists in only one item. For example, a score of 3 on spanking and 0 on the other two items is an average value of 1, whereas a maximum score with a value of 3 captures the "frequency" of spanking. Greater harm may result from harsh parenting that occurs frequently than from harsh parenting that occurs only once.

Supervision. Mothers were asked how often they knew whom the focal child was with when he or she was away from home, knew where the focal child was when away from home, whether the focal child returned home on time, and whether the focal child finished any homework. For each item, mothers responded on a 5-point scale, where 1 indicated "almost never" and 5 indicated "always." A mean score of these items was created, with higher scores indicating greater parental supervision or monitoring.

The final set of outcomes relates to the focal child's performance in school, such as the child's level of engagement in school and whether he or she has ever repeated a grade. Although the children in this study were relatively young, engagement and performance in school at relatively young ages have been found to be predictive of later school success, such as high school completion (Roderick, 1993).

Table 3.8 presents MFIP's effects on children's behavior (see also Box 3.4).[13] Data for the control group provide a snapshot of how children in recipient families would fare in the absence of MFIP. For example, the average Behavioral Problems Index (BPI) for these children is 12.7. Roughly speaking, an average BPI of 12.7 means that mothers, when asked if their children exhibited any of the 28 problem behaviors, responded "sometimes true" or "often true" for fewer than half the questions. This average is within the range found for other samples of low-income children (for example, see the National Evaluation of Welfare-to-Work Strategies child study [McGroder et al., 2000]). Consistent with this average, fewer than 15 percent of children in the AFDC group exhibited a high level of behavioral and emotional problems.

A comparison of the MFIP and the AFDC groups in Table 3.8 shows that MFIP decreased the incidence of children's problem behaviors. The average BPI for the MFIP group is 11.2, compared with the AFDC average of 12.7, for a statistically significant decrease of 1.5 points. In addition, the pattern of impacts for the two subscales suggests that most of the decrease in the overall BPI reflects a decrease in the incidence of negative externalizing behaviors, from 6.0 for the AFDC group to 5.1 for the MFIP group.[14,15] Other research has also found that externalizing problem behaviors of early and middle school-age children are easier to influence by targeted child development programs on antipoverty policy than internalizing behaviors are (Bos et al., 1999; Yoshihawa, 1995). Children in the MFIP group were also less likely to have a high level of behavioral and emotional problems (6.8 percent for the MFIP group, compared with 14.5 percent for the AFDC group).

The second panel of Table 3.8 presents MFIP's impacts on the Positive Behavior Scale (PBS) and its subscales. The average value for the control group is 193.7. The PBS was also used in the evaluation of the New Chance Demonstration, a program targeted to young mothers and their children, and the average value for the control group was 197.3. The results show that MFIP did not significantly affect children's positive behavior as measured by the PBS total score and subscales.[16] Although it may seem odd for MFIP to affect the BPI and not the PBS, the latter measure is not the

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[13] A number of outcomes that measure aspects of behavior besides the ones listed in Table 3.8 and Box 3.4 were also collected in the survey but are not included in this report because the incidences of these behaviors were nearly zero. Such outcomes include being a teen parent, smoking cigarettes, drinking alcohol, using drugs, and being in trouble with the police. These outcomes are more likely to reflect the behavior of older children rather than the early-school-age children who are the focus of this report.

[14] Values for the two subscores do not sum to the total score because they were constructed using only a subset of the 28 items on the BPI.

[15] MFIP also significantly decreased externalizing behavior based on an outcome constructed to be comparable to the studies in the Project on State-Level Child Outcomes, and it significantly decreased whether or not the focal child scored above the 75th percentile (determined by the distribution of this outcome in the control group) for the BPI internalizing subscore.

[16] MFIP also had no significant impact on the PBS compliance subscale that was constructed to be comparable to the studies in the Project on State-Level Child Outcomes or on outcomes measuring whether or not a child scored above the 75th percentile or below the 25th percentile (determined by the distribution of this outcome for the control group).

Table 3.8

MFIP's Impacts on Maternal Reports of Child Behavior for Long-Term Recipients in Urban Counties

Outcome	MFIP	AFDC	Difference (Impact)
Behavioral Problems Index			
Total score	11.2	12.7	-1.5 *
Externalizing subscore	5.1	6.0	-0.9 **
Internalizing subscore	4.1	4.5	-0.3
High level of behavioral and emotional problems (%)	6.8	14.5	-7.7 ***
Positive Behavior Scale			
Total score	194.2	193.7	0.5
Compliance subscore	81.3	79.7	1.6
Social competence subscore	58.2	59.0	-0.7
Autonomy subscore	32.0	32.7	-0.7
Behavioral problems at school			
Contacted by school about child's behavioral problems? (%)	29.8	34.6	-4.7
In special education? (%)	18.0	22.5	-4.5
Sample size (total = 587)	306	281	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See text and Appendix C for details regarding the construction of outcomes.

Box 3.4

Behavioral Problems and Positive Behavior

Measures of children's behavior are based on maternal responses collected in the self-administered (Audio-CASI) portion of the child section of the 36-month survey. Details about the construction of these outcomes can be found in Appendix C.

Behavioral Problems Index (BPI). Mothers responded to a series of questions designed to measure aspects of problem behavior by the focal child. The scale includes 28 items such as "My child is disobedient at home" and "My child is too fearful or anxious," and responses can vary from 0 ("not true") to 2 ("often true"). (See Peterson and Zill, 1986, for details.) A total score was created as the sum of responses to all 28 items and can range from 0 to 56, with higher values indicating more behavioral problems. The total scale can also be divided into two subscales. The externalizing subscore measures more aggressive behavioral problems, such as bullying and cheating; and the internalizing subscore measures the extent to which the child feels unhappy, anxious, or depressed.

High Level of Behavioral and Emotional Problems. Five items from the 28-item scale were used to create a scale measuring a high level of behavioral problems. Each of the five items was recoded to range from 1 to 3, so that the total score ranges from 5 to 15. A score of 10 or less on this scale indicates a high level of behavioral and emotional problems.

Positive Behavior Scale (PBS). Mothers were asked about a series of items designed to measure positive aspects of the child's behavior. This scale, developed by Polit (1996), includes 25 items such as "My child is helpful and cooperative" and "My child is cheerful and happy," and responses can range from 0 ("not at all like my child") to 10 ("completely like my child"). A total score was created as the sum of responses to the 25 items and can range from 0 to 250, with higher values indicating more positive behavior. In addition, the total scale can be divided into three subscales: compliance (for example, "My child is calm, easy going"), social competence (for example, "Shows concern for other people's feelings"), and autonomy (for example, "My child tries to do things for himself or herself, is self-reliant").

Behavioral Problems at School. The survey included two questions designed to measure behavioral problems at school. Mothers were asked whether, since random assignment, they had been contacted by the school regarding the child's behavioral problems. Mothers' responses to this question were used to create the first outcome. The second outcome was created using mothers' responses to whether the children had received special education services since random assignment, for physical, behavioral, or other problems.

mirror image of the former. The PBS is more likely to capture behavioral changes among children who are at relatively less risk for poor outcomes, or those with fewer problem behaviors.

The last panel of Table 3.8 presents measures of children's behavioral problems at school. Among the control group, 34.6 percent of mothers reported that they had been contacted by the school about their child's behavior, and 22.5 percent reported that their child had spent some time in special education. MFIP reduced mothers' reports of both these behaviors, but the differences compared with the AFDC group are not statistically significant.

Table 3.9 presents MFIP's effects on children's health and academic functioning. Mothers were asked to rate the focal child's health, and their responses could range from 1 ("excellent") to 5 ("poor"). Children who received a rating of 1 ("excellent") or 2 ("very good") were defined as in good health. As shown in the top panel of the table, the majority of mothers in the AFDC group reported that their children were in very good or excellent health (77.8 percent). This number is comparable to mothers' ratings in both the New Chance and the NEWWS evaluations (Quint, Bos, and Polit, 1997; McGroder et al., 2000). Data for the MFIP and AFDC groups show that the program had no significant effects on children's reported health. Mother's ratings may be somewhat limited as an objective measure of children's health, because ratings may not have captured more subtle aspects of health status. Better measures, for example, might be nutritional intake, access to health care, or chronic health conditions, such as asthma. Nonetheless, the survey contains several other items designed to measure children's health, such as the timing of the last visits to a doctor or dentist, and MFIP did not affect any of these other measures (not shown).

Mothers were also asked whether *any* child in the household had had an accident or injury since random assignment that required a visit to an emergency room or clinic. A result that is inconsistent with MFIP's other beneficial effects on children is that MFIP increased the percentage of mothers who reported this — 44 percent of the MFIP mothers compared with 36.9 percent of the AFDC mothers, for an increase of 7.1 percentage points. Because this outcome is not specific to the focal child, it is difficult to assess whether focal children or their siblings are more likely to be taken to an emergency room or clinic. This measure was intended to capture the health and safety of children, as affected by the home environment, for example, or the amount of parental supervision. There are a number of plausible hypotheses about why MFIP increased reports of taking children to an emergency room or clinic, due to an accident or injury. MFIP mothers, because they were more likely to have worked during the follow-up period, may have provided less supervision for their children; or working mothers may be more likely to use evening or weekend services, which tend to be cast by health care providers as emergency care. The amount of time a child spends in nonparental care may also influence the number of accidents or injuries. On the other hand, this measure may also capture mothers' ability to purchase health care, through higher income or more continuous health insurance, both of which MFIP affected. Mothers with higher incomes or less time without health care may be more likely to take their children to clinics or emergency rooms in the event of an accident or injury. This outcome is not highly correlated with health insurance coverage, employment, income, or, as will be shown in Chapter 4, child care.

Table 3.9

MFIP's Impacts on Maternal Reports of Children's Health and Academic Functioning for Long-Term Recipients in Urban Counties

Outcome	MFIP	AFDC	Difference (Impact)
Health and safety			
Child's health rated by mother as very good or excellent (%)	75.0	77.8	-2.8
Any child have accident/injury that required a visit to an emergency room or clinic? (%)	44.0	36.9	7.1 *
Academic functioning			
Performance in school	4.1	4.0	0.2 *
Performance in school below average (%)	7.2	12.3	-5.1 **
Engagement in school	10.2	9.9	0.3 **
Ever repeated a grade? (%)	5.4	3.6	1.8
Ever suspended/expelled? (%)	11.4	12.9	-1.5
Sample size (total = 587)	306	281	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See text and Appendix C for details regarding the construction of outcomes.

Box 3.5

Children's Academic Functioning

Measures of children's academic functioning were collected in the core section of the survey. Details about the construction of these outcomes can be found in Appendix C.

Performance in School. Mothers were asked to gauge their children's performance in school by responding to the following question: "Based on your knowledge of the child's schoolwork, including report cards, how has he or she been doing in school overall?" Responses could range from 1 ("not well at all") to 5 ("very well"). The responses to these questions were used to construct two outcomes. The first outcome is the rating provided by the mother. This rating ranges from 1 to 5, and a higher number indicates better school performance. The second outcome focuses on poor performance in school; children with ratings of 1 ("not well at all") or 2 ("below average") are defined as performing below average. This second measure is included to capture MFIP's effects at different points in the distribution of school performance. For example, MFIP's positive effects on children may be concentrated among, or strongest for, children at highest risk for poor outcomes. Focusing on changes in average performance may not fully capture this effect.

Engagement in School. Mothers were asked four questions about their child's level of engagement in school (for example, "My child cares about doing well in school"). Their responses could range from 1 ("not true") to 3 ("often true"). The child's engagement in school is measured by the sum of the mother's responses. This sum can range from 4 to 12, with a higher number indicating a higher level of engagement.

Grade Repetition. Mothers were asked whether the focal child had repeated a grade since the parent entered the evaluation (or random assignment).

Suspension/Expulsion. Mothers were asked whether the focal child had been suspended or expelled from school since the parent entered the evaluation.

The bottom panel of Table 3.9 presents data on academic functioning (see Box 3.5). On average, mothers in the control group rated their children's performance in school as "above average," or a value of 4. Not surprisingly, then, very few of the mothers (12.3 percent) rated their children's performance as below average. MFIP increased children's performance in school, largely by decreasing the percentage who were performing poorly — only 7.2 percent of MFIP mothers reported that their children were performing poorly in school, for a statistically significant decrease of 5.1 percentage points. MFIP also increased children's engagement in school (10.2 for the MFIP group versus 9.9 for the AFDC group), but it had no significant effects on grade repetition or suspensions/expulsions.

In sum, children in MFIP families had fewer behavioral problems, as measured by the BPI, and they performed better and were more engaged in school than their counterparts in AFDC families. MFIP did not affect other aspects of their behavior in school, such as time in special education or grade repetition. The BPI and PBS measures undoubtedly capture more subtle changes in children's behavior than do special education and grade repetition, and it may be that MFIP was not a strong enough intervention to affect the latter types of outcomes. On the other hand, noticeable changes in school behavior may arise only in the longer term, which cannot be captured with just three years of follow-up.

VI. MFIP's Impacts on Selected Subgroups: Preschool-Age and School-Age Children; Girls and Boys; Blacks, Whites, and Other Ethnic Groups; and More Disadvantaged Families

This section presents MFIP's impacts on child outcomes for subgroups defined by (1) the age of the focal child, (2) the gender of the focal child, (3) the family's race/ethnicity, and (4) the level of family disadvantage. The results presented so far indicate that on average MFIP affected various measures of family and child well-being for long-term recipients. These average impacts for all families, however, may mask positive or negative effects that MFIP had on certain types of families. MFIP's impacts may be moderated, for example, by characteristics of the child, characteristics of the family, or characteristics of the local environment. The characteristics may affect each aspect of the conceptual model.

Tables 3.10 to 3.16 present selected measures of direct outcomes, intermediate outcomes, and child outcomes for each classification of a subgroup, for example, for girls and for boys. The right-hand column of each table presents the p-values calculated from split-sample tests, showing whether the impact for one subgroup is significantly different from the impact for the other subgroup. For example, a p-value of .10 or less indicates that the impact of MFIP on an outcome for girls is significantly different from the impact on this same outcome for boys.

A. Comparison of MFIP's Impacts on Child Outcomes for Preschool-Age and School-Age Children

Table 3.10 presents MFIP's impacts on focal children who were preschool-age (younger than 6) and focal children who were school-age (6 or older) at random assignment. Long-term recipients with preschool-age children may have reacted differently to MFIP than long-term recipients with school-age children, depending on the availability, affordability, and quality of child care. Or, given a similar effect of MFIP on mothers' employment, preschool-age children may have reacted differently than school-age children. On a more pragmatic level, MFIP's impacts on school functioning in this study are better captured for focal children who were school-age throughout the 36-month follow-up period.

The effects of MFIP on child outcomes were most pronounced for school-age focal children, who were 6 or older at random assignment. Furthermore, MFIP's effects on children's behavior, based on both the BPI and the PBS, were significantly different for school-age than for preschool-age children (see right-hand column). School-age children in MFIP families had fewer behavior problems, scored higher in school engagement, and performed better in school than did school-age children in AFDC families.

The patterns of MFIP's impacts on direct outcomes and intermediate outcomes suggest ways in which MFIP may have affected school-age children differently than younger children.

Table 3.10

MFIP's Impacts on Child Outcomes by Child's Age for Long-Term Recipients in Urban Counties

Outcome	Focal Child Younger Than Age 6 at Random Assignment MFIP	AFDC	Impact (Difference)	Focal Child Age 6 or Older at Random Assignment MFIP	AFDC	Impact (Difference)	p-Value for Subgroup Differences
Direct Outcomes							
Average quarterly employment rate (%)	76.5	59.0	17.4 ***	66.2	55.6	10.6 **	0.34
Average annual income ($)	12,340	10,483	1,857 ***	10,694	10,087	607	0.09 *
Intermediate Outcomes							
Currently married and living with spouse (%)	9.2	6.9	2.4	15.6	5.2	10.4 **	0.13
Used formal child care (%)	60.9	49.6	11.2 **	40.8	25.2	15.5 **	0.55
Used informal child care (%)	77.8	69.9	7.9 *	71.6	60.6	11.0	0.72
Mother at high risk of clinical depression (%)	30.6	25.4	5.1	24.7	44.3	-19.6 ***	0.00 ***
Mother ever abused in last 3 years (%)	53.7	57.6	-3.8	40.4	64.5	-24.1 ***	0.04 **
Total HOME score	75.6	76.3	-0.8	76.0	73.8	2.1 *	0.05 *
Child Outcomes							
Behavioral Problems Index	10.9	11.5	-0.7	11.5	15.4	-3.9 **	0.08 *
Positive Behavior Scale	193.9	197.3	-3.5	195.5	186.4	9.1	0.08 *
Engagement in school	10.3	10.1	0.2	10.0	9.4	0.6 *	0.30
Performance in school	4.3	4.2	0.1	3.9	3.5	0.4 **	0.23
Sample size (total = 587)	193	195		113	86		

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

A statistical test was conducted to measure whether impacts presented for the different subgroups in this table are statistically different from one another. The p-value represents the probability that apparent variation in impacts across subgroups of these tables is simply the result of random chance. If this probability is less than 10 percent, the variation in impacts is considered statistically significant.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See text and Appendix C for details regarding the construction of outcomes.

Surprisingly, the average employment rate for AFDC recipients with younger children (59 percent) is similar to that for AFDC recipients with school-age children (55.6 percent). MFIP increased employment during the 36-month follow-up period for both sets of long-term recipients. However, MFIP significantly increased annual earnings and, thus, annual income only for long-term recipients with younger children.

In terms of intermediate outcomes, MFIP had similar effects on the use of formal and informal child care for both types of long-term recipients. However, for school-age children, MFIP significantly improved the quality of the home environment and significantly decreased mothers' depression, compared with AFDC families. The proportion of AFDC mothers who had older children and were at high risk of clinical depression (44 percent) is particularly striking. MFIP also significantly decreased these mothers' reports of domestic abuse, from 65 to 40 percent.

Analyzing MFIP's impacts by the age of the focal child suggests two interesting patterns. First, it appears that long-term recipients with school-age children experienced more benefits from MFIP in terms of intermediate outcomes; fewer were at high risk of clinical depression, and fewer reported domestic abuse at the 36-month follow-up point. MFIP also increased the quality of the home environment for the school-age children. Second, it appears that long-term recipients with preschool-age children responded to MFIP more positively than mothers of older children in terms of their employment and earnings behavior. According to the survey's child outcome measures, preschool-age children were not affected negatively or positively by these changes.

It is important to note that having a school-age child may be associated with other family characteristics. For example, recipients with school-age children are more likely than mothers of older children to have been on welfare for five years or more at random assignment, and they are more likely to be divorced. As Section D reveals, MFIP's impacts for the subgroup of recipients on welfare for five years or more are similar though not identical to MFIP's impacts for the subgroup of recipients with school-age children.

B. Comparison of MFIP's Impacts on Child Outcomes for Girls and Boys

Table 3.11 presents MFIP's impacts on child outcomes according to the gender of the focal children. MFIP may have affected girls differently than boys for a number of reasons: (1) mothers may simply prefer to invest in girls rather than boys, or vice versa, because the return on the investment is higher; (2) girls and boys in general may fare differently on a number of child outcomes, and, therefore, MFIP may have been more likely to affect whichever gender has greater room for improvement; or (3) girls and boys may react differently to increases in maternal employment or other outcomes that MFIP may have affected. The evaluation of Milwaukee's New Hope Project found that the program significantly improved the classroom behavior and school achievement of young boys and that these effects were significantly different from the effects on young girls. The New Hope findings further suggest that mothers used their increased income to invest in after-school activities primarily to prevent their boys from engaging in high-risk behavior.

The bottom panel of Table 3.11 shows MFIP's impacts on child outcomes. Note that girls and boys in AFDC families fared similarly, on average, based on the Behavioral Problems Index (BPI), the Positive Behavior Scale (PBS), school engagement, and school performance. The av-

Table 3.11

MFIP's Impacts on Child Outcomes by Child's Gender for Long-Term Recipients in Urban Counties

	Girls			Boys			
Outcome	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)	p-Value for Subgroup Differences
Direct Outcomes							
Average quarterly employment rate (%)	74.0	58.0	16.0 ***	73.5	57.7	15.8 ***	1.00
Average annual income ($)	11,976	10,120	1,856 ***	11,732	10,737	994 *	0.46
Intermediate Outcomes							
Currently married and living with spouse (%)	7.8	6.1	1.7	15.3	6.2	9.1 **	0.48
Used formal child care (%)	52.5	39.0	13.6 **	53.1	45.3	7.8	0.66
Used informal child care (%)	77.6	64.7	12.9 **	73.9	69.4	4.5	0.37
Mother at high risk of clinical depression (%)	30.0	30.3	-0.3	27.2	32.8	-5.7	0.68
Mother ever abused in last 3 years (%)	46.0	53.9	-7.9	51.6	65.4	-13.8 **	0.80
Total HOME score	76.0	75.9	0.0	75.4	75.1	0.2	0.95
Child Outcomes							
Behavioral Problems Index	10.2	12.4	-2.3 **	12.3	12.8	-0.5	0.57
Positive Behavior Scale	198.6	191.6	7.0	191.3	194.6	-3.2	0.28
Engagement in school	10.4	10.0	0.4 *	10.0	9.7	0.3	0.77
Performance in school	4.2	4.2	0.0	4.1	3.8	0.3 **	0.43
Sample size (total = 573)	141	140		157	135		

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

A statistical test was conducted to measure whether impacts presented for the different subgroups in this table are statistically different from one another. The p-value represents the probability that apparent variation in impacts across subgroups of these tables is simply the result of random chance. If this probability is less than 10 percent, the variation in impacts is considered statistically significant.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See text and Appendix C for details regarding the construction of outcomes.

erage BPI score for girls, for example, is 12.4, compared with 12.8 for boys. Yet for girls MFIP significantly decreased behavior problems and improved engagement in school. MFIP's impact on the PBS was also positive for girls, whereas for boys MFIP's impact on the PBS was negative. Note that even though the positive effects of MFIP on child outcomes were more pronounced for girls, none of these impacts is significantly different from the impacts for boys (see right-hand column).

MFIP's effects on direct and intermediate outcomes also were not significantly different for families with girls than for families with boys. However, MFIP significantly increased the use of formal and informal child care for girls. MFIP boys also experienced increases in formal and informal child care, but not nearly as much as did girls. On the other hand, only the mothers of MFIP boys showed a significant decrease in domestic abuse, relative to their AFDC counterparts. In summary, although MFIP had more pronounced effects on girls than boys, these effects are not significantly different, and it is not clear, based on the impacts on the direct and intermediate outcomes, which pathways may have led to these different effects on child outcomes for girls and boys.

C. Comparison of MFIP's Impacts on Child Outcomes for Blacks, Whites, and Other Ethnic Groups

Table 3.12 presents MFIP's impacts on child outcomes according to the race or ethnicity of the mother. The racial/ethnic categories are presented as black, white, and other ethnic groups that include Asian/Pacific Islanders, Hispanics, and Native Americans. MFIP may have affected racial/ethnic subgroups differently for a number of reasons: (1) MFIP's impacts on the direct outcomes of employment and income may have differed by racial/ethnic subgroup if discrimination in the workplace makes it more difficult for a particular subgroup to obtain employment; (2) MFIP's effects on such intermediate outcomes as child care and marriage may have differed by racial/ethnic subgroup if different cultural values affect the types of child care used or whether a single mother gets married; or (3) levels of child well-being may generally vary across racial/ethnic subgroups, leaving less room for MFIP to have improved or had other effects on child outcomes.

The last panel of Table 3.12 presents MFIP's impacts on child outcomes across racial/ethnic subgroups. It is important to note that the sample sizes for other ethnic groups are extremely small. Despite the small sample sizes, white children in the AFDC group performed worse on the BPI and the PBS than either black children or children of other ethnicities in the AFDC group. In contrast, white children in the AFDC group appear to have performed slightly better on measures of engagement in school and performance in school compared with black children and children of other ethnicities in the AFDC group. MFIP generally had few systematic effects on child outcomes by racial/ethnic subgroups, except that MFIP increased school engagement for black children and children of other ethnicities.

Compared with the pattern of effects on child outcomes, the pattern of MFIP's effects on intermediate outcomes shows greater variation across racial/ethnic subgroups. MFIP increased the use of formal and informal child care (by 10.7 and 12.7 percentage points, respectively) for black children, but it increased the use only of formal child care for white children and had a negative but statistically insignificant effect on formal child care for children of other ethnicities.

Table 3.12

MFIP's Impacts on Child Outcomes by Race/Ethnicity for Long-Term Recipients in Urban Counties

	Black			White			Other Ethnic Groups			
Outcome	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)	p-Value for Subgroup Differences
Direct Outcomes										
Average quarterly employment rate (%)	70.6	61.0	9.7 **	77.8	57.7	20.2 ***	61.7	47.2	14.5	0.26
Average annual income ($)	12,006	10,526	1,479 ***	11,648	10,485	1,163 **	10,866	10,067	798	0.82
Intermediate Outcomes										
Currently married and living with spouse (%)	7.6	3.0	4.6	15.7	9.5	6.1	12.4	1.7	10.7	0.73
Used formal child care (%)	46.0	35.3	10.7 *	65.4	51.3	14.1 **	29.7	33.0	-3.4	0.45
Used informal child care (%)	77.4	64.7	12.7 **	72.2	72.0	0.2	76.5	66.1	10.4	0.30
Mother at high risk of clinical depression (%)	32.0	33.8	-1.8	23.9	30.1	-6.2	36.6	30.0	6.6	0.68
Mother ever abused in last 3 years (%)	52.8	62.4	-9.7	50.7	60.3	-9.6	32.1	49.7	-17.6	0.89
Total HOME score	74.7	74.8	-0.1	76.7	77.3	-0.6	74.1	73.2	0.9	0.81
Child Outcomes										
Behavioral Problems Index	10.5	12.1	-1.6	12.4	13.2	-0.9	8.9	11.3	-2.4	0.85
Positive Behavior Scale	199.8	197.5	2.3	185.2	192.1	-6.9	208.7	197.7	11.0	0.19
Engagement in school	10.3	9.8	0.5 **	10.0	9.9	0.1	10.8	9.7	1.0 **	0.13
Performance in school	4.2	4.0	0.2	4.1	4.0	0.1	4.2	3.8	0.3	0.67
Sample size (total = 576)	120	119		137	120		39	41		

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

A statistical test was conducted to measure whether impacts presented for the different subgroups in this table are statistically different from one another. The p-value represents the probability that apparent variation in impacts across subgroups of these tables is simply the result of random chance. If this probability is less than 10 percent, the variation in impacts is considered statistically significant.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See text and Appendix C for details regarding the construction of outcomes.

The pattern of effects on other intermediate outcomes is generally similar across racial/ethnic subgroups, with the exception of mothers' being at high risk of clinical depression; though not significant, MFIP had a negative effect on this outcome for black mothers and white mothers but a positive effect for mothers of other ethnicities.

Finally, Table 3.12 shows that MFIP's effects on the direct outcomes of employment and income were quite similar across racial/ethnic subgroups. Though MFIP did not have statistically significant effects on employment and income for single mothers of other ethnic groups, these impacts are still large and are comparable to MFIP's impacts for black mothers and white mothers.

In summary, MFIP had few systematically different effects on children in various racial/ethnic subgroups. However, despite small sample sizes, MFIP did improve school engagement of black children and children of other ethnicities. These results also provide some weak evidence that effects on child outcomes by racial/ethnic subgroup are more likely to be driven by differing effects on intermediate outcomes — such as child care, marriage, and maternal depression — than by effects on the direct outcomes of employment and income.

D. MFIP's Impacts on Child Outcomes for More Disadvantaged Families

This section presents MFIP's effects on children in more disadvantaged families, whose mothers faced potential barriers to employment, and it seeks to answer two questions. First, did MFIP affect employment, earnings, and welfare benefits differently for more disadvantaged families than for others and, thus, affect child outcomes differently? Although the full sample of long-term recipients might be considered disadvantaged, some were probably more job-ready than others. For example, about half the parents did not have a high school diploma, some had very limited work experience, and many had been receiving welfare for more than five years when they entered the evaluation. It is easy to imagine that MFIP might have affected such recipients differently. The interim report found, for example, that the employment and earnings impacts differed by parents' education level and welfare history (Miller et al., 1997).

Second, did MFIP have similar effects on employment for all mothers, but because mothers in more disadvantaged families may have been less equipped to deal with the added pressure of employment, were their children affected negatively? For example, MFIP might have produced similar impacts on adult outcomes in all families, but more disadvantaged mothers with no high school diploma and little prior work experience might have found the transition to work more difficult and more stressful than other mothers.

Several subgroups were defined according to characteristics that have been found to be associated with employment outcomes: welfare history, earnings history, educational attainment, and barriers to employment. Table 3.13 presents MFIP's impacts on child outcomes for families according to prior welfare receipt. Data for the two control groups show that prior welfare receipt is associated with several outcomes during the follow-up period. For example, the AFDC group with more than five years of welfare receipt had a lower employment rate than the other AFDC group (53.6 percent versus 62.7 percent), a higher incidence of domestic abuse, and poorer behavioral and schooling outcomes for their children (for example, an average BPI of 14.8, compared with 10.8).

MFIP produced larger and statistically significant changes in child outcomes for the group with a longer history of welfare receipt; children's behavioral problems were lower in MFIP fami-

Table 3.13

MFIP's Impacts on Child Outcomes by Welfare History of Mother for Long-Term Recipients in Urban Counties

Outcome	On AFDC for More Than 5 Years Prior to Random Assignment: MFIP	AFDC	Impact (Difference)	On AFDC for Less Than 5 Years Prior to Random Assignment: MFIP	AFDC	Impact (Difference)	p-Value for Subgroup Differences
Direct Outcomes							
Average quarterly employment rate (%)	68.5	53.6	14.8 ***	76.7	62.7	14.0 ***	0.87
Average annual income ($)	11,466	10,328	1,138 **	11,907	10,314	1,593 ***	0.53
Intermediate Outcomes							
Currently married and living with spouse (%)	11.0	6.0	5.0	12.5	7.6	4.9	1.00
Used formal child care (%)	42.7	31.2	11.6 **	63.0	57.5	5.5	0.39
Used informal child care (%)	72.9	62.3	10.6 *	77.8	74.2	3.6	0.38
Mother at high risk of clinical depression (%)	29.1	36.4	-7.3	25.8	28.3	-2.5	0.54
Mother ever abused in last 3 years (%)	45.1	62.7	-17.6 ***	55.1	53.8	1.3	0.04 **
Total HOME score	74.8	74.2	0.6	77.1	76.9	0.2	0.79
Child Outcomes							
Behavioral Problems Index	12.0	14.8	-2.8 **	10.6	10.8	-0.2	0.13
Positive Behavior Scale	192.8	187.7	5.1	195.4	199.5	-4.1	0.19
Engagement in school	10.1	9.4	0.7 ***	10.4	10.2	0.2	0.10
Performance in school	4.0	3.7	0.3 *	4.3	4.2	0.0	0.23
Sample size (total = 565)	167	135		126	137		

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

A statistical test was conducted to measure whether impacts presented for the different subgroups in this table are statistically different from one another. If this probability is less than 10 percent, the variation in impacts is considered statistically significant.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See text and Appendix C for details regarding the construction of outcomes.

lies, and their positive behavior and engagement in school were higher. In addition, most of these differences in impacts approach statistical significance (see right-hand column). In terms of the direct outcomes, both MFIP groups experienced similar changes in income and in employment rates. The group with a longer welfare receipt history also experienced larger increases in child care use and a dramatic decrease in domestic abuse (-17.6 percentage points). MFIP's impacts on domestic abuse for these two subgroups are significantly different (see right-hand column).

Table 3.14 presents MFIP's impacts on child outcomes according to the mother's earnings history. The differences in outcomes for the two control groups are not as pronounced by prior earnings as they are by prior welfare receipt. The most notable difference is in employment rates during the follow-up period — 39.4 percent for AFDC mothers with no prior earnings versus 82.7 percent for AFDC mothers with prior earnings. In addition, recipients in the AFDC group with prior earnings had somewhat higher levels of depression and domestic abuse. The differences in impacts are also not as consistent by prior earnings as by prior welfare receipt. First, with respect to child outcomes, the impacts for both groups are similar. Second, although MFIP's impact on employment was substantially larger for the group without prior earnings, its impacts on the intermediate outcomes are not consistently larger for this group. For example, the MFIP group with no prior earnings showed a 26.1 percentage point increase in employment rate and a 13.8 percentage point increase in formal child care use, compared with impacts of only 1.4 and 4.8 percentage points for the MFIP group with prior earnings. However, the group with prior earnings showed relatively larger decreases in depression and domestic abuse.

Table 3.15 presents MFIP's impacts on child outcomes according to the mother's educational attainment. The notable differences in outcomes for the AFDC families between the two groups are in employment rates and average income, with the more educated group having higher employment rates and incomes. MFIP had more consistently positive impacts on child outcomes for the more educated group, although none of these differences between the groups is statistically significant. The impacts on the direct outcomes are similar in size across the two groups. Impacts on child care, depression, and domestic abuse are somewhat larger for the more educated mothers, whereas impacts on marriage are larger for the less educated mothers. Note again that none of the differences in impacts is statistically significant.

Finally, Table 3.16 presents impacts for three subgroups defined by the number of potential barriers to employment that parents faced, where the barriers are defined based on the previous three tables — long-term welfare receipt, no earnings in the prior year, and no high school diploma. Recent research has found that, while the type of barrier that an individual presents affects employment outcomes, the number of barriers may be equally important (Danziger et al., 1999). For example, while mothers who have not completed high school may have difficulty finding a job, their employment prospects may be worsened if they also have limited work experience. The results for these groups show that, although outcomes and impacts on employment and income vary with the number of barriers, the pattern for intermediate outcomes is less consistent. In contrast, MFIP's impacts on child outcomes are the most positive and consistent for the group with two or three barriers.

The results of this subgroup analysis of more disadvantaged families suggest two points. First, low education and limited work experience may be more important barriers to work than is prior welfare receipt. The subgroup with five years of prior welfare receipt had higher employment

Table 3.14

MFIP's Impacts on Child Outcomes by Earnings History of Mother for Long-Term Recipients in Urban Counties

	Recipient Had No Earnings in Year Prior to Random Assignment			Recipient Had Earnings in Year Prior to Random Assignment			
Outcome	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)	p-Value for Subgroup Differences
Direct Outcomes							
Average quarterly employment rate (%)	65.5	39.4	26.1 ***	84.1	82.7	1.4	0.00 ***
Average annual income ($)	11,313	9,680	1,633 ***	12,151	11,334	817	0.26
Intermediate Outcomes							
Currently married and living with spouse (%)	10.7	6.8	3.9	12.7	5.6	7.1 *	0.55
Used formal child care (%)	56.0	42.3	13.8 ***	47.2	42.4	4.8	0.27
Used informal child care (%)	75.6	67.4	8.3	75.5	69.9	5.6	0.80
Mother at high risk of clinical depression (%)	32.3	29.8	2.5	23.2	35.0	-11.7 *	0.06 *
Mother ever abused in last 3 years (%)	49.1	54.4	-5.3	48.5	64.7	-16.2 **	0.23
Total HOME score	75.8	76.1	-0.2	75.3	74.6	0.7	0.50
Child Outcomes							
Behavioral Problems Index	11.2	13.0	-1.8 *	11.5	12.5	-1.0	0.63
Positive Behavior Scale	195.7	192.2	3.5	192.0	194.2	-2.2	0.41
Engagement in school	10.3	10.0	0.2	10.1	9.6	0.6 **	0.32
Performance in school	4.1	4.0	0.2	4.1	3.9	0.2	0.96
Sample size (total = 587)	180	162		126	119		

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

A statistical test was conducted to measure whether impacts presented for the different subgroups in this table are statistically different from one another. If this probability is less than 10 percent, the variation in impacts is considered statistically significant.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See text and Appendix C for details regarding the construction of outcomes.

Table 3.15

MFIP's Impacts on Child Outcomes by Educational Attainment of Mother for Long-Term Recipients in Urban Counties

	Recipient Does Not Have a High School Diploma or Equivalent			Recipient Has a High School Diploma or Equivalent			
Outcome	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)	p-Value for Subgroup Differences
Direct Outcomes							
Average quarterly employment rate (%)	61.3	44.4	16.9 ***	77.7	63.6	14.1 ***	0.66
Average annual income ($)	10,866	9,231	1,635 ***	12,058	10,825	1,233 ***	0.58
Intermediate Outcomes							
Currently married and living with spouse (%)	12.0	2.6	9.4 **	10.8	6.7	4.1	0.36
Used formal child care (%)	36.0	25.7	10.3	60.2	48.6	11.6 **	0.81
Used informal child care (%)	67.7	66.5	1.2	78.1	68.2	9.9 **	0.32
Mother at high risk of clinical depression (%)	36.8	34.8	2.0	26.0	30.0	-3.9	0.53
Mother ever abused in last 3 years (%)	49.9	56.0	-6.2	50.1	61.6	-11.6 **	0.56
Total HOME score	73.2	72.9	0.3	76.7	76.7	0.0	0.84
Child Outcomes							
Behavioral Problems Index	12.1	12.2	-0.1	10.6	12.9	-2.2 **	0.24
Positive Behavior Scale	191.5	195.1	-3.7	195.7	193.2	2.4	0.46
Engagement in school	10.3	9.8	0.5 *	10.2	9.9	0.3	0.47
Performance in school	4.1	4.0	0.1	4.1	3.9	0.2 **	0.62
Sample size (total = 583)	105	74		200	204		

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

A statistical test was conducted to measure whether impacts presented for the different subgroups in this table are statistically different from one another. If this probability is less than 10 percent, the variation in impacts is considered statistically significant.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See text and Appendix C for details regarding the construction of outcomes.

Table 3.16

MFIP's Impacts on Child Outcomes by Barriers to Employment for Long-Term Recipients in Urban Counties

	Recipient Has Two or Three Barriers to Employment			Recipient Has One Barrier to Employment			Recipient Has No Barrier to Employment			
Outcome	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)	p-Value for Subgroup Differences
Direct Outcomes										
Average quarterly employment rate (%)	61.4	40.2	21.2 ***	79.8	64.3	15.5 ***	84.7	87.9	-3.2	0.00 ***
Average annual income ($)	11,073	9,708	1,365 ***	11,931	10,606	1,325 **	12,425	11,702	723	0.86
Intermediate Outcomes										
Currently married and living with spouse (%)	11.1	4.7	6.4 *	11.7	9.1	2.6	15.4	2.8	12.6 **	0.38
Used formal child care (%)	40.5	34.5	6.1	65.8	42.7	23.1 ***	56.4	68.0	-11.6	0.01 **
Used informal child care (%)	70.7	64.6	6.1	79.1	70.0	9.1	79.8	78.0	1.8	0.83
Mother at high risk of clinical depression (%)	33.3	33.0	0.4	29.4	32.6	-3.1	10.9	26.4	-15.5	0.41
Mother ever abused in last 3 years (%)	46.7	59.4	-12.7 *	55.5	57.1	-1.5	42.1	61.7	-19.6	0.34
Total HOME score	74.3	73.8	0.5	76.5	77.2	-0.7	78.5	76.0	2.5	0.26
Child Outcomes										
Behavioral Problems Index	11.8	14.4	-2.5 *	11.0	11.8	-0.7	8.5	11.8	-3.3	0.48
Positive Behavior Scale	194.1	186.8	7.4	195.2	197.8	-2.6	195.3	196.0	-0.7	0.40
Engagement in school	10.3	9.6	0.7 ***	10.1	10.0	0.1	10.5	9.8	0.7	0.17
Performance in school	4.1	3.9	0.2	4.1	3.9	0.2	4.2	4.2	0.0	0.68
Sample size (total = 578)	150	112		110	121		41	44		

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

A statistical test was conducted to measure whether impacts presented for the three different subgroups in this table are statistically different from each another. If this probability is less than 10 percent, the variation in impacts is considered statistically significant.

Barriers are defined as: receiving welfare for more than five years prior to random assignment, not having any earnings in the year prior to random assignment, and not having a high school diploma.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See text and Appendix C for details regarding the construction of outcomes.

rates during the follow-up period than the subgroups with low education and limited work experience. In addition, all three of the more disadvantaged subgroups experienced substantial impacts on employment during the follow-up period, but these changes led to consistent, positive effects on intermediate and child outcomes only for the subgroup that had received welfare for more than five years. This suggests that the subgroups with low education and limited work experience may have had more difficulty adjusting to employment changes.

The second point is that MFIP did not produce any *negative* effects for disadvantaged families. Despite the very large changes in employment behavior for all the disadvantaged subgroups, none of the subgroups showed negative effects on mothers' or children's well-being. (MFIP's effects were also examined for subgroups defined by other possible barriers to employment, such as having several children or emotional or health problems, and no negative impacts were found.) This suggests that MFIP's employment-related services, coupled with its financial incentives, may ease the transition to work for low-income mothers.

VII. Conclusion

This chapter has presented MFIP's effects on long-term recipients' employment behavior, earnings, income, and resources as well as a variety of measures of family and child well-being. MFIP significantly affected a number of these outcomes and, ultimately, improved children's behavior and academic functioning. The conceptual model presented in Figure 3.1 proposed some ways by which MFIP may have improved these child outcomes. It appears that MFIP affected multiple aspects of long-term recipients' lives via changes in their resources and changes in their socialization, and some of these effects, in turn, may have affected children's well-being. To better identify the pathways through which MFIP may have improved children's well-being, Chapter 4 will decompose the impacts of MFIP's financial incentives from the impacts of adding employment-related services.

Chapter 4

Understanding MFIP's Effects on the Children of Long-Term Recipients in Urban Counties

The full intervention of the Minnesota Family Investment Program (MFIP) reduced children's behavior problems and improved their academic functioning. The goal in this chapter is to better understand these impacts. First, how did each component of the MFIP intervention contribute to the program's impacts on child outcomes? Second, how did MFIP's increase in family income affect children, compared with its increase in mothers' employment?

Recall that MFIP's research design was based on three groups described in Chapter 1: full MFIP, MFIP Incentives Only, and AFDC (Aid to Families with Dependent Children). The three-group design makes it possible to address these questions by separately examining the effects of MFIP's financial incentives and the effects of coupling the mandatory services with the incentives and — to some extent — to untangle the effects of income from the effects of employment.

I. Decomposing the MFIP Intervention: Separating the Effects of Financial Incentives from the Effects of Adding Mandatory Services

A. Summary of the Main Findings

Figures 4.1 and 4.2 graphically present the significant effects on various outcomes of MFIP's financial incentives alone and the effects of adding mandatory employment-related services to the incentives. The outcomes are categorized as in the conceptual model presented in Chapter 1 (Figure 1.2).

MFIP's Financial Incentives. MFIP's financial incentives allowed welfare recipients to keep more of their welfare benefits as their earned income increased. It is important to keep in mind that recipients who responded to these incentives by entering employment did so voluntarily. It is also important to keep in mind that those who were already working received additional income ("windfalls") for no extra hours of work and that the source of this extra income was public assistance; some working recipients may have cut back work effort in response to financial incentives. The effects of MFIP's incentives alone are obtained by comparing outcomes for the MFIP Incentives Only group with outcomes for the AFDC group.

- **MFIP's financial incentives reduced children's problem behavior, increased their positive behavior, and improved their academic functioning.**

Relative to mothers in the AFDC group, mothers in the Incentives Only group reported that their children scored lower on the total Behavioral Problems Index (BPI), as well as on its internalizing and externalizing subscales; scored higher on the Positive Behavior Scale (PBS), as well as on its compliance subscale; and scored higher on school engagement and school performance.

- **MFIP's financial incentives somewhat increased long-term recipients' employment and, via increased welfare benefits, increased their income.**

Figure 4.1

Summary of the Significant Effects of MFIP Incentives Only on Child Outcomes for Long-Term Recipients in Urban Counties

MFIP Incentives Only ⇒ **MFIP Program Implementation**

- Provision of services
- Provision of message

Direct Outcomes

- Participation in employment-related activities
- ↑ **Employment**
- Earnings
- ↑ **Welfare benefits**
- ↑ **Total income**[a]
- ↓ **Measured poverty**[a]

Intermediate Outcomes

Resources

- ↓ **Material hardship**
- Public housing
- Food security
- ↑ **Health insurance**
- Child care
- Out-of-school activities
- Quality of home environment
- Safety of neighborhood

Socialization

- Fertility
- ↑ **Marriage**
- ↓ **Domestic abuse**
- ↓ **Maternal depression**
- Parenting behavior

Child Outcomes

- ↓ **Behavioral Problems Index**
- ↑ **Positive Behavior Scale**
- Behavioral problems at school
- Health
- ↑ **Academic Functioning**

NOTES: Any significant differences, at least at the .10 level, between the program group and the control group (the impact) is indicated in bold. The arrows next to bold items indicate the direction of the impacts.

Outcomes in each column may also interact with or influence each other. The intermediate outcomes are classified in this way for simplicity. In some instances an intermediate outcome, such as marriage, may affect children via both pathways.

[a] Calculated based on the sum of income from benefits and earnings.

Figure 4.2

Summary of the Significant Effects of Adding Mandatory Services to Financial Incentives on Child Outcomes for Long-Term Recipients in Urban Counties

Adding Mandatory Services to Financial Incentives ⇒	**MFIP Program Implementation**	**Direct Outcomes**	**Intermediate Outcomes**	**Child Outcomes**
	Provision of services	↑ **Participation in employment-related activities**	*Resources*	Behavioral Problems Index
	Provision of message	↑ **Employment**	↑ **Material hardship**	↓ **Positive Behavior Scale**
		↑ **Earnings**	↓ **Public housing**	Behavioral problems at school
		↓ **Welfare benefits**	Food security	Health
		Total income[a]	Health insurance	Academic functioning
		Measured poverty[a]	↑ **Child care**	
			Out-of-school activities	
			Quality of home environment	
			Safety of neighborhood	
			Socialization	
			Fertility	
			Marriage	
			Domestic abuse	
			Maternal depression	
			Parenting behavior	

NOTES: Any significant differences, at least at the .10 level, between the program group and the control group (the impact) is indicated in bold. The arrows next to bold items indicate the direction of the impacts.

Outcomes in each column may also interact with or influence each other. The intermediate outcomes are classified in this way for simplicity. In some instances an intermediate outcome, such as marriage, may affect children via both pathways.

[a] Calculated based on the sum of income from benefits and earnings.

MFIP's financial incentives increased parents' employment, particularly part-time employment and employment that was consistent, but did not significantly increase earnings. Some of the increase in part-time employment was due to a reduction in hours worked among recipients who would have worked full time in the absence of MFIP, and some of the increase in part-time employment was due to new entry into employment. Higher welfare benefits for families who worked led to increased annual income from benefits and earnings and to a reduction in measured poverty.

- **MFIP's financial incentives decreased material hardship, and children were more likely to be covered continuously by health insurance.**

Long-term recipients in the Incentives Only group reported less material hardship as measured by an index capturing the ability to pay bills, being evicted, and being able to pay for a doctor's visit. Children in the Incentives Only group were significantly more likely than children in the AFDC group to have had continuous health insurance coverage (primarily under Medicaid) during the follow-up period. Children in the Incentives Only group fared similarly to children in the AFDC group on maternal ratings of their general health, but *any* child in the Incentives Only "mothers' rating" group was more likely to have visited an emergency room or clinic due to an accident, injury, or poisoning.

- **MFIP's financial incentives increased marriage and reduced domestic abuse.**

Compared with the AFDC group, long-term recipients in the Incentives Only group were more likely to report being married at the time of the survey and were significantly more likely to report being married to the biological father of the focal child. MFIP's financial incentives significantly reduced reported incidences of domestic abuse measured to include both physical and nonphysical abuse, such as being threatened, by intimate partners and others.

- **MFIP's financial incentives reduced maternal depression.**

Long-term recipients in the Incentives Only group were less likely to be depressed, according to the total Center for Epidemiological Studies-Depression (CES-D) scale, and were less likely to be at high risk of clinical depression. The full MFIP program did not produce similar impacts on depression for long-term recipients.

The Impact of Adding Mandatory Services to the Financial Incentives. The relative impact of adding mandatory employment-related services to MFIP's financial incentives is obtained by comparing the effects of full MFIP with the effects of MFIP's financial incentives alone (that is, by comparing outcomes for the full MFIP and the MFIP Incentives Only groups). Because no families received a treatment that consisted of mandatory services alone, the impact of adding the services to the incentives can be interpreted only as the added effect of coupling the services to a generous financial incentive and not as the effect of mandating services alone.

The effects of adding mandatory services to existing financial incentives could arguably be either larger or smaller than the effects of providing mandatory services in the absence of financial incentives. On the one hand, there may be positive interactions between financial incentives and mandatory services, increasing the positive effects of mandatory services on employment. For example, the MFIP message that "work pays" was strongly reinforced during the orientation to employment, possibly increasing participants' likelihood of responding to services by going to work. On the other hand, the effects of adding mandatory services to incentives could be smaller than the effects of mandatory services alone. Imagine that welfare recipients fall into two groups: Group A will go to work in response to any new encouragement — *either* a voluntary work incentive or a mandate to participate in employment-related activities; Group B, a subset of Group A, will respond only if their participation is mandated. In this scenario, comparing outcomes for a group subject to mandatory services plus incentives with outcomes for a group receiving incentives alone captures only the new employment of Group B. That comparison would show a smaller net increase in employment than would be brought about either by incentives alone or by mandates alone, because either of those interventions would lead all of Group A to enter employment.

In what follows, the impact of adding the mandatory services to the financial incentives is defined as relative to the impact of using incentives alone.

- **Adding mandatory services to the financial incentives for long-term recipients, relative to using the incentives alone, decreased selective aspects of their children's positive behavior but had a neutral effect on most other measures of child outcomes.**

Adding mandatory services to the financial incentives significantly decreased the overall measure of children's positive behavior (the total score on the PBS) and decreased two subscales of positive behavior (social competence and autonomy). It is noteworthy that adding mandatory services to financial incentives — which increased full-time employment but did not affect income — did not lead to more systematic negative effects on other child outcomes.

- **The impact of adding mandatory services to the financial incentives increased parents' full-time employment and decreased their welfare income.**

Adding mandatory services to the incentives contributed to about half of the full program's increase in employment; it accounted for all of the program's increase in full-time employment (30 hours or more per week) and nearly all of its increase in average annual earnings. The earnings gain from adding the mandated services to the financial incentives contributed to a reduction in recipients' income from welfare.

- **Adding mandatory services to the financial incentives increased material hardship, the use of child care, and the number of residential moves.**

Adding mandatory services to the financial incentives significantly reduced recipients' reports of being able to meet their basic needs, yet it also increased the number of families who lived in rented or leased housing and reduced the number of families who lived in public or subsidized housing. Adding the mandatory services also increased the use of formal and informal child care, especially the use of consistent formal care.

Conclusions About Adding Mandatory Services. In summary, MFIP's financial incentives accounted for nearly all of the program's effects on marriage, domestic abuse, and mothers' depression and for all of its beneficial effects on children's behavior and academic functioning. Adding mandatory services to the financial incentives contributed to nearly all the impacts on earnings and the use of formal child care. Furthermore, for some outcomes, the effects of MFIP's financial incentives and its participation mandate counteracted each other. Although the financial incentives reduced material hardship, adding the mandatory services increased material hardship; therefore, the full program had no net effect on material hardship. In addition, although MFIP's financial incentives increased children's positive behavior, adding the mandatory services reduced children's scores on the PBS.

B. Impacts on Employment, Earnings, Income, and Resources

Chapter 3 reported that MFIP was implemented successfully; that is, MFIP families were informed and knew about the financial incentives, the participation mandate, and other services. Compared with recipients in AFDC, MFIP recipients were significantly more likely to have participated in employment-related activities during the three-year period, they were more likely to have worked, and on average they had higher earnings and income from benefits and earnings. The next sections discuss the separate effects on each of these outcomes of MFIP's financial incentives and of adding mandatory services to the incentives.

Participation in Employment-Related Services. Table 4.1 shows that adding the mandatory services to the incentives, as expected, contributed the most to MFIP's increase in participation in employment-related activities. The effect of adding the mandatory services was to increase participation in employment-related activities by 14.8 percentage points, or by 19 percent. Recall that recipients in the Incentives Only group were not subject to the participation mandate; however, they could voluntarily participate in STRIDE. Unsurprisingly, MFIP's financial incentives had no significant effect on participation in employment-related activities. MFIP staff effectively conveyed information about the availability of transitional benefits to recipients in both the MFIP and the Incentives Only groups (not shown). Recipients in the Incentives Only group were significantly more likely than AFDC recipients to understand that they could receive child care and health benefits if they left welfare for work.

Impacts on Employment, Earnings, and Characteristics of Employment. Unlike the expected effects of the full MFIP program on employment and hours worked, the expected effect of MFIP's financial incentives on hours worked is unclear. That is, financial incentives may increase employment among welfare recipients who would not work in the absence of MFIP but may have opposing effects on the number of hours they work. Because welfare recipients may keep more welfare income as their earnings increase, MFIP's financial incentives may increase the number of hours they work. On the other hand, because they may have the same level of total income for fewer hours worked, they may reduce the hours worked, particularly if they would have worked full time in the absence of MFIP. Finally, because MFIP's financial incentives are designed to allow recipients to combine welfare and work, receipt of welfare may increase among those who are working. (See Miller et al., 2000, for a more detailed discussion and the empirical literature on this topic.)

Table 4.1 presents MFIP's impacts on employment and the characteristics of this employment. MFIP's financial incentives alone significantly increased recipients' quarterly employment rate over the 36-month follow-up period, by 8.5 percentage points — a 15 percent increase over the control group. Note that this increase in employment is completely voluntary. The

Table 4.1

MFIP's Impacts on Participation, Employment, Hours Worked, Wages, Number of Jobs Held, and Employment Stability for Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Participation and employment since random assignment (%)						
Ever participated in an employment-related activity (from survey)	91.4	76.7	71.6	19.8 ***	5.0	14.8 ***
Average quarterly employment rate (from administrative records)	72.8	66.2	57.7	15.1 ***	8.5 ***	6.6 **
Worked since random assignment (survey)	88.3	86.1	74.9	13.4 ***	11.2 ***	2.2
Hours worked in current or most recent job (%)						
Did not work	11.7	13.9	25.1	-13.4 ***	-11.2 ***	-2.2
Worked part time	25.4	32.2	17.5	7.9 **	14.7 ***	-6.8 *
1-19 hours	8.0	12.6	8.9	-0.9	3.7	-4.6 *
20-29 hours	17.0	19.3	8.7	8.3 ***	10.6 ***	-2.3
Worked full time	62.6	53.9	57.4	5.2	-3.5	8.7 **
30-34 hours	14.2	10.1	8.3	6.0 **	1.8	4.1
35-44 hours	40.8	33.1	39.7	1.1	-6.6	7.7 *
45 hours or more	7.6	10.7	9.5	-1.9	1.3	-3.1
Average weekly hours worked among those employed	*33.3*	*31.7*	*34.8*	*-1.5*	*-3.1*	*1.6*
Hourly wage in current or most recent job (%)						
Did not work	11.7	13.9	25.1	-13.4 ***	-11.2 ***	-2.2
Less than $5	5.4	6.5	7.3	-1.9	-0.8	-1.0
$5 to $6.99	20.8	27.7	14.7	6.1 *	13.0 ***	-6.9 **
$7 to $8.99	33.3	27.2	25.6	7.7 **	1.6	6.1
$9 or above	27.7	23.5	26.2	1.5	-2.8	4.3
Average hourly wage among those employed ($)	*8.26*	*7.75*	*8.48*	*-0.22*	*-0.73*	*0.51*

(continued)

Table 4.1 (continued)

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Number of jobs held since random assignment						
1	27.4	32.8	26.9	0.5	5.9	-5.4
2 or 3	34.8	34.2	29.1	5.7	5.1	0.6
4 or more	15.4	9.1	10.8	4.6 *	-1.7	6.2 **
Employment stability						
Respondent worked since random assignment and reported all job dates	76.5	75.0	66.1	10.5 ***	9.0 **	1.5
First employment spell began within 12 months of random assignment	54.4	46.8	38.8	15.6 ***	8.0 **	7.6 *
First spell lasted less than 12 months	18.2	14.1	13.9	4.2	0.2	4.1
Employed after first spell	16.2	11.1	9.3	6.8 **	1.8	5.1 *
Not employed after first spell	2.0	3.0	4.6	-2.6 *	-1.6	-1.0
First spell lasted more than 12 months	36.2	32.7	24.8	11.4 ***	7.9 **	3.6
First employment spell began 12 or more months after random assignment	22.1	28.3	27.3	-5.2	1.0	-6.1 *
Sample size (total = 879)	306	292	281			

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample sizes may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

Outcomes shown in italics are nonexperimental.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

right-hand column of Table 4.1 shows the impact of adding mandatory services to the incentives. The added services contributed to just less than half the increase in average quarterly employment due to the full MFIP program. The impact of adding mandatory services is 6.6 percentage points, compared with 8.5 percentage points attributed to financial incentives alone. In addition, the effects of adding the mandatory services persisted only during the first two years after random assignment (not shown).

Table 4.1 further presents MFIP's impacts on the characteristics of the current or most recent job. Compared with the control group, note that MFIP's financial incentives increased the number of recipients who worked part time for 20 to 29 hours per week, increased the number of recipients who worked at jobs that paid $5 to $7 per hour, and increased stable employment. Some of the increase in part-time employment was due to a reduction in hours worked among recipients who would have worked full time otherwise. Of those long-term recipients who worked, 77 percent in the control group worked more than 30 hours per week, compared with 63 percent in the Incentives Only group (calculating by dividing the percentage working full time by the percentage who worked since random assignment). Long-term recipients in the Incentives Only group were also significantly more likely to report that their current or most recent job did not offer paid vacation, paid sick days, or health insurance (not shown).

Table 4.1 also shows that adding the mandatory services to the financial incentives, relative to using the incentives alone, reduced the number of recipients who worked less than 20 hours per week, by 4.6 percentage points, or by 36 percent. Adding the mandatory services increased the number of recipients who held four or more jobs during the follow-up period, by 6.2 percentage points, or by 68 percent. These patterns indicate that responses to MFIP's financial incentives were to enter part-time employment or reduce hours worked, and responses to fulfill the requirements of the participation mandate were to increase hours worked and the number of jobs held.

This increase in the number of jobs held is also consistent with the effects on employment stability. As shown in Chapter 3 (and in column 4 of Table 4.1), MFIP increased stable employment, or the number of recipients who went to work during the first year and stayed continuously employed for at least 12 months. A comparison of the two columns at the right shows that MFIP's effects on stable employment were due largely to its financial incentives. The majority of recipients who went to work during the first year in response to MFIP's incentives (8 percentage points) stayed employed continuously (7.9 percentage points). In contrast, adding the participation mandate drew additional recipients to work (many involuntarily), but some of them may not have been able to stay in jobs long. Nonetheless, the majority of those who went to work in response to the added services, and who subsequently lost their jobs, got other jobs sometime later (shown by the impact of 5.1 percentage points). This increase in reemployment is consistent with the fact that the effect of adding the mandatory services to the incentives was to increase the number of jobs held.

Impacts on Earnings, Welfare Benefits, and Income. Table 4.2 presents MFIP's impacts on earnings, welfare benefits, and income. MFIP's financial incentives alone did not significantly change average annual earnings. Although the impact of the incentives on average annual earnings was positive ($606) and significant during the first year after random assignment, it was negative each of the following two years (not shown). Nearly all the gain in earnings from

Table 4.2

MFIP's Impacts on Earnings, Welfare, Income, and Poverty for Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Earnings and welfare since random assignment						
Average annual earnings ($)	4,657	3,967	3,906	751 *	60	691 *
Average quarterly receipt rate (%)	91.0	90.6	86.5	4.5 **	4.1 **	0.4
Average annual welfare benefit ($)	7,014	7,535	6,458	556 **	1,078 ***	-522 **
Income and poverty since random assignment						
Average annual income from welfare and earnings ($)	11,671	11,502	10,364	1,307 ***	1,138 ***	169
Measured poverty[a] (%)	68.5	73.3	81.3	-12.8 ***	-8.0 **	-4.7
Income and poverty since random assignment with estimated EIC[b]						
Average annual income from welfare and earnings with estimated EIC ($)	12,734	12,509	11,128	1,606 ***	1,381 ***	225
Measured poverty with EIC[a] (%)	57.7	63.4	74.5	-16.8 ***	-11.1 ***	-5.7
Income sources						
Proportion of income from earnings[c] (%)	33.9	30.2	30.1	3.8	0.0	3.8
In last quarter of follow-up (%)						
Earnings, welfare	38.2	36.5	22.6	15.7 ***	14.0 ***	1.7
Earnings, no welfare	18.4	19.5	25.9	-7.5 **	-6.4 *	-1.1
No earnings, welfare	33.7	37.2	42.8	-9.2 **	-5.6	-3.6
No earnings, no welfare	9.7	6.8	8.7	1.0	-1.9	3.0
Sample size (total = 879)	306	292	281			

(continued)

Table 4.2 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and welfare benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

[a]Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

[b]These estimates are calculated assuming that all eligible individuals receive both the federal and the state Earned Income Credit. Estimated payroll taxes and federal and state income taxes are also subtracted.

[c]Proportion of income is an average over three years. It is slightly different than average earnings divided by average income.

MFIP can be attributed to adding the mandatory services to incentives, which increased average annual earnings by $691 over the effects of using the incentives alone ($60). The full program, then, increased average annual earnings by $751.

Compared with AFDC, MFIP's financial incentives increased average annual welfare payments to long-term recipients by about $1,000 over the 36-month follow-up period. As a result, MFIP's incentives also increased average annual income from earnings and welfare by $1,138, and it decreased measured poverty by 8 percentage points. Adding the mandate to the incentives significantly decreased welfare receipt by about $500 over the 36-month follow-up period. Because adding the mandatory services increased earnings and this increase matched the decrease in welfare, adding the mandatory services had no effect on income or measured poverty, relative to the effects of the incentives alone. An important difference, however, is that the MFIP group's income increase came from higher earnings and higher welfare benefits, while the Incentives Only group's income increase came entirely from higher welfare benefits. The impacts on income after adjusting for the federal and state Earned Income Credits (EIC) and taxes are of a higher magnitude than the impacts on income without these adjustments, but they show a similar pattern of effects across the research groups.

The bottom panel of Table 4.2 presents impacts on income sources. In the last quarter of follow-up, the Incentives Only group was more likely than the AFDC group to rely on both earnings and welfare, which is not surprising, given that the financial incentives were designed to let more working families remain eligible for benefits. However, despite the fact that the incentives alone increased welfare receipt, they did not increase the number of families who relied solely on welfare — one measure of dependence. Adding the mandatory services to the incentives did not have substantial effects on recipients' income sources, relative to using the incentives alone, with the exception that fewer recipients relied solely on welfare (although this impact of 3.6 percentage points is not statistically significant).

Impacts on Resources. Table 4.3 presents impacts on material hardship, food security, and health insurance. Recipients in the Incentives Only group reported lower levels of material hardship than their AFDC counterparts but no significant differences in measures of food security. Children in the Incentives Only families were more likely to have been continuously covered by health insurance (11.7 percentage points) and more likely to be covered by Medicaid or MinnCare in the month before the survey (9 percentage points).

With MFIP's focus on mixing welfare and work, its financial incentives allowed recipients to continue receiving public assistance longer than they would have otherwise. One benefit of encouraging a mix of welfare and work is increased information about, access to, and use of public health benefits and food benefits. Consistent with this hypothesis, adding the mandatory services did not significantly affect health insurance coverage.

However, adding the mandatory services to the incentives did increase material hardship. Recall that while adding the services significantly increased annual earnings, it did not increase income relative to the financial incentives alone. Adding the mandatory services also significantly decreased the number of recipients living in public or subsidized housing, by 7.2 percentage points, and significantly increased the number who lived in other types of housing (leased or rented housing), by 8.8 percentage points. This suggests that adding the services to the incentives

Table 4.3

MFIP's Impacts on Material Hardship, Food Security, and Health Insurance for Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Material hardship						
Perceptions of financial strain	2.8	2.8	2.9	-0.1	-0.1	0.0
Index of material hardship	1.6	1.4	1.6	0.0	-0.2 *	0.2 *
Own home (%)	12.8	14.3	15.3	-2.6	-1.0	-1.6
Live in public or subsidized housing (%)	17.2	24.4	19.4	-2.2	5.0	-7.2 **
Live in other housing (%)	70.1	61.3	65.2	4.9	-3.9	8.8 **
Food security						
In last month, family had enough to eat (%)	79.8	84.9	80.1	-0.3	4.8	-5.1
In the last month, did any children skip a meal because not enough money for food? (%)	5.9	4.9	3.9	2.0	1.1	0.9
Health insurance						
Children continuously covered by health insurance during past 36 months (%)	75.5	78.7	67.0	8.5 **	11.7 ***	-3.2
In the last month, were children covered by Medicaid or MinnCare? (%)	73.9	76.6	67.6	6.3 *	9.0 **	-2.7
In the last month, were children covered by private insurance? (%)	20.9	19.2	23.9	-3.0	-4.8	1.8
Sample size (total = 879)	306	292	281			

(continued)

Table 4.3 (continued)

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample sizes may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

encouraged recipients to move from public or subsidized housing into leased or rented housing, possibly because they were more aware of housing opportunities or because they moved closer to their jobs, or that AFDC recipients were more likely to move from rented or leased housing to public or subsidized housing.

C. Impacts on Child's and Family's Environment, Parent-Child Relationships, and Family Functioning

As shown in Chapter 3, MFIP not only significantly affected such direct outcomes as recipients' employment, earnings, and income but also significantly affected a number of intermediate outcomes relating to family and child well-being. MFIP increased mothers' use of formal child care, increased marriage, and decreased rates of domestic abuse. The following sections discuss the separate effects of MFIP's two components — financial incentives and mandatory employment-related services — on these intermediate outcomes.

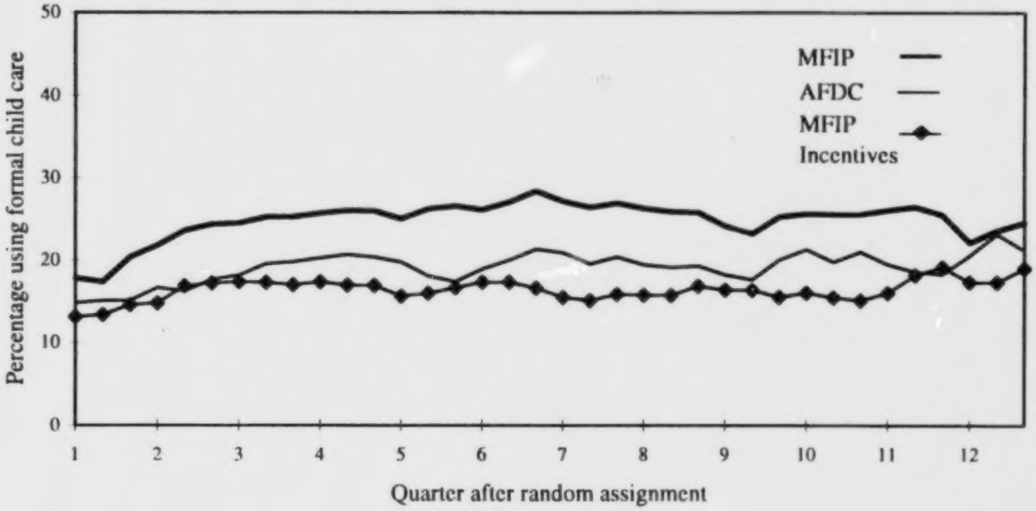
Child's and Family's Environment. Table 4.4 presents MFIP's impacts on child care and out-of-school activities. Most striking is that the table clearly shows that MFIP's mandate to participate in employment-related services contributed to all of the increased use of child care. The impacts from this table also suggest that the child care assistance component of MFIP's financial incentives — reimbursing families for child care expenses before rather than after — had little effect on child care. Adding the mandatory services to the incentives significantly increased the use of formal and informal care and significantly decreased the use of self-care. (See Box 4.1 for a discussion of child care quality in the week prior to the interview.)

Table 4.5 shows that adding mandatory services to financial incentives also fully contributed to the increase in the duration of formal child care. Adding the mandatory services increased the amount of time the focal child spent in one child care arrangement by three months, a 26 percent increase over using the incentives alone. The bottom rows of the table present impacts on child care stability. Chapter 3 showed that MFIP increased the use of stable formal care. Because MFIP's incentives alone had little effect on child care use in general, they did not affect the timing or stability of care. All these effects resulted from adding of the mandatory services. Thus, though adding mandatory services did not increase stable employment, it did increase stable child care.

MFIP's results on child care use are consistent with its impacts on employment and hours worked. The increases in maternal employment resulting from MFIP's financial incentives were voluntary and primarily part time. These mothers of primarily school-age children may have chosen to work part time so that they could take care of their children during off-school hours. Figures 4.3 and 4.4 present some evidence in support of this hypothesis. Compared with both the MFIP and the AFDC groups, long-term recipients in the Incentives Only group were least likely to use formal care and were less likely to use informal care throughout the follow-up period. The impacts on informal care for the Incentives Only group compared with AFDC families were significant for 10 of the 36 months. Though the incidence of self-care was nearly zero in AFDC families, it is interesting that MFIP's financial incentives also slightly increased self-care throughout the 36-month follow-up period (not shown).

Figure 4.3

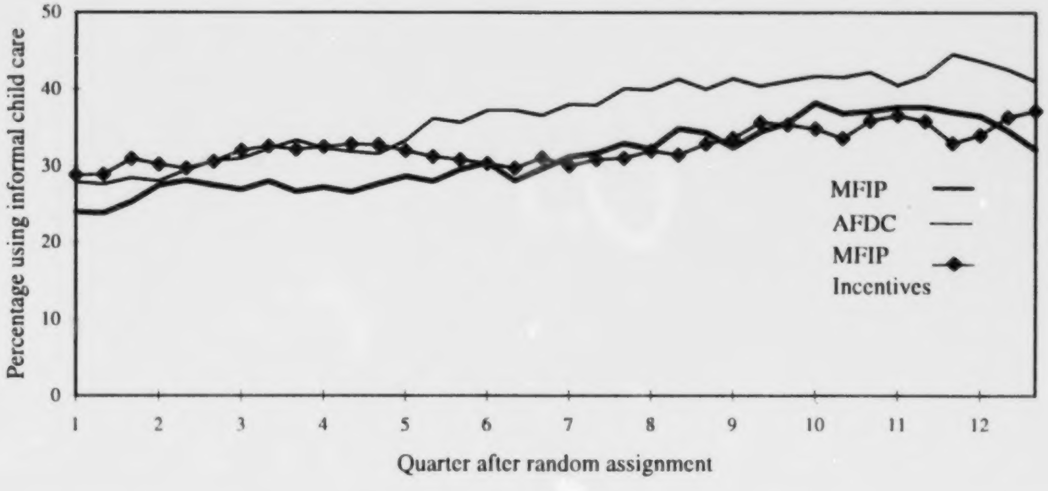
Quarterly Participation in Formal Child Care for Focal Children of Long-Term Recipients in Urban Counties



SOURCE: MDRC calculations using data from the 36-month client survey.

Figure 4.4

Quarterly Participation in Informal Child Care for Focal Children of Long-Term Recipients in Urban Counties



SOURCE: MDRC calculations using data from the 36-month client survey.

Table 4.4

MFIP's Impacts on Child Care and Out-of-School Activities for Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Child care used since random assignment						
Never used child care (%)	12.1	20.3	22.0	-9.9 ***	-1.7	-8.2 ***
Formal child care (%)	52.8	41.8	42.3	10.6 ***	-0.5	11.0 ***
Informal child care (%)	75.2	67.8	67.7	7.5 *	0.2	7.4 *
Self-care (%)	13.7	18.2	16.2	-2.5	2.0	-4.4 *
Out-of-school activities since random assignment						
Attended extended day program (%)	19.0	15.9	17.3	1.7	-1.4	3.2
Participated in lessons, clubs, or activities (%)	4.1	6.8	9.3	-5.2 **	-2.5	-2.8
Participated in extracurricular activities (%)	55.6	54.9	53.9	1.7	0.9	0.7
Child care in week prior to interview						
Primary care in last week was formal care (%)	17.8	15.8	16.0	1.8	-0.2	2.0
Primary care in last week was informal care (%)	26.5	29.6	33.6	-7.1 *	-3.9	-3.1
Total hours in care last week	9.4	9.7	10.0	-0.6	-0.3	-0.3
Total hours in self-care last week	1.8	1.4	0.8	1.0	0.6	0.4
For primary child care arrangement[a]						
Perception of high quality overall (%)	33.0	38.2	37.0	-3.9	1.2	-5.2
Perception of high-quality warmth (%)	33.5	35.2	36.1	-2.7	-0.9	-1.8
Perception of high-quality safety(%)	37.2	39.4	40.7	-3.5	-1.3	-2.2
Sample size (total = 879)	306	289	281			

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

[a] These measures were constructed using outcomes measured in the week prior to the interview from the Emlen scale; see Boxes 3.1 and 4.1 for details.

Table 4.5

MFIP's Impacts on the Extent and Stability of Child Care for Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Extent of child care since random assignment						
Total months in formal care	8.9	5.9	6.9	2.1 **	-1.0	3.0 ***
Total months in informal care	11.2	11.7	13.2	-2.0	-1.5	-0.5
Total months with one arrangement	15.2	12.1	13.3	1.9	-1.2	3.1 ***
Stability of child care since random assignment						
Not missing child care calendar information (%)	88.1	82.0	83.2	4.9	-1.2	6.1 **
Any child care (%)	78.2	73.2	71.9	6.3 *	1.4	4.9
Any formal child care (%)	46.4	34.1	36.6	9.8 **	-2.5	12.3 ***
First formal care spell started within 12 months (%)	33.5	21.9	25.8	7.8 **	-3.9	11.7 ***
Spell lasted less than 12 months (%)	12.7	8.2	13.0	-0.3	-4.8	4.5
Spell lasted more than 12 months (%)	20.9	13.7	12.8	8.1 **	0.9	7.1 **
First informal care spell started within 12 months (%)	39.3	39.5	41.3	-2.0	-1.8	-0.2
Spell lasted less than 12 months (%)	17.3	14.6	13.4	3.9	1.2	2.6
Spell lasted more than 12 months (%)	22.0	24.8	27.8	-5.8	-3.0	-2.8
Sample size (total = 879)	306	292	281			

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

Box 4.1

Child Care Quality

Although adding the mandatory services to the financial incentives had no significant effects on measures of child care quality (shown in Table 4.4), these impacts are experimental estimates and include women who did not use child care in the week prior to the interview. Thus, the experimental impacts may not capture important variations in the patterns of child care quality among women who used child care. Approximately 50 percent of recipients in the AFDC group reported using child care in the week prior to the interview date, and 16 percent reported that their primary child care arrangement was formal care. Differences in the child care quality outcomes among those families who used formal care in the week prior to the interview are presented below. Note that because these quality measures are based on care used in the week prior to the survey, they may not be indicative of the types of child care used throughout the follow-up period.

Child Care Quality	MFIP	MFIP Incentives Only	MFIP vs. MFIP Incentives Only
Average group size	*18.7*	*20.3*	*-1.6*
Child-staff ratio	*7.3*	*6.7*	*0.6*
Total Emlen scale	*3.5*	*3.7*	*-0.2*
Emlen warmth scale	*3.3*	*3.6*	*-0.3*
Emlen safety scale	*3.5*	*3.8*	*-0.3*

Among long-term recipients who used formal child care as their primary arrangement, those in the MFIP group reported smaller average group sizes, higher child-staff ratios, and slightly lower quality, as measured by the Emlen scales, than long-term recipients in the Incentives Only group. In fact, although nonexperimental, the differences in the Emlen quality scales between the MFIP group and the Incentives Only group are statistically significant. This finding gives some indication, albeit weak, that the increased use of formal child care due to the addition of the mandatory services was in arrangements that long-term recipients perceived to be of slightly lower quality.

Table 4.6 presents MFIP's impacts on the home environment, the neighborhood, and residential moves. Neither MFIP's financial incentives nor the addition of the services seem to have affected measures of the home environment or perceptions of neighborhood quality.[1] However, adding the mandatory services significantly increased the number of residential moves since random assignment. As previously discussed, these moves likely represented moves from public or subsidized housing to leased or rented housing. Such moves may have entailed school changes for the children or may have been from "low-quality" neighborhoods to "better" neighborhoods

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[1] MFIP's financial incentives alone had no significant impact on measures of the home environment that were constructed to be comparable to studies in the Project on State-Level Child Outcomes.

Table 4.6

MFIP's Impacts on the Home Environment and Neighborhood for Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Quality of home environment						
Total HOME scale	75.7	76.2	75.5	0.2	0.7	-0.5
HOME cognitive subscale	25.8	25.9	25.8	0.0	0.1	-0.1
HOME routines subscale	16.4	16.5	16.2	0.2	0.3	-0.1
HOME physical environment subscale	24.6	24.5	24.7	-0.1	-0.2	0.1
Neighborhood						
Live in a safe neighborhood (%)	73.4	76.4	74.0	-0.6	2.5	-3.1
Number of moves since random assignment	1.9	1.5	1.7	0.2	-0.1	0.4 ***
Sample size (total = 879)	306	292	281			

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

(although the minimal impact on the measure of neighborhood safety suggests that the moves did not affect this aspect of perceived neighborhood quality).

Parent-Child Relationships and Family Functioning. The top panel of Table 4.7 presents MFIP's impacts on household composition. MFIP's financial incentives contributed to all of its effects on marital status. Compared with the AFDC group, at the 36-month interview date, recipients in the Incentives Only group were 4.1 percentage points more likely to be married and were 2.1 percentage points more likely to be married to the biological father of the focal child. Thus, nearly one-third of the increase in marriages due to the financial incentives were to the biological fathers of at least one of the recipients' children.

MFIP's financial incentives contributed to all the increase in marriage due to MFIP.[2] An experimental approach was first brought to bear on the question of the relationship between welfare and marriage in the negative income tax (NIT) experiments conducted in several sites in the United States and Canada in the 1960s and 1970s. The original marital analysis from the NIT experiments suggested that the program dramatically increased marital dissolution among white and black couples in two sites, Seattle and Denver, relative to a control group (Groeneveld, Tuma, and Hannan, 1977) and decreased rates of marriage/remarriage among Hispanic single-parent families (SRI International, 1983). Surprisingly, the marital dissolution effects were concentrated among the subgroup who received the least generous NIT plan, offering benefits that were approximately equal to those available from AFDC.[3] A reanalysis of these data brought these findings into question (Cain, 1986).

A study in four California counties, including both urban and rural areas, found evidence that a $100 benefit reduction had no effect on marriage for single-parent families (Hu, 1998). A second recent experimental study examined the effects on marriage and fertility of Delaware's A Better Chance (ABC) demonstration; at the 18-month follow-up point, ABC significantly increased marriage among young women and less educated women, groups who also experienced decreases in welfare and increases in earnings (Fein, 1999). Finally, findings from the 36-month follow-up of the Canadian Self-Sufficiency Project show that SSP significantly increased employment and income overall in the two provinces studied, but it increased marriage in one province, New Brunswick, and significantly decreased marriage in the other province, British Columbia (Harhnett and Gennetian, 2000).

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[2] Upon marriage, a single-parent family in MFIP became a two-parent family, subject to the rules and interventions outlined for two-parent families in the program. In contrast to AFDC-Unemployed Parent (AFDC-UP) policies, one component of the MFIP intervention for most two-parent families was streamlined eligibility to receive public assistance. (See Miller et al., 2000, for a full discussion of the two-parent family intervention and impacts.) Because of this, single-parent AFDC recipients may have had an incentive to underreport marriage, suggesting that the impact of MFIP may reflect underreporting differences; objective measures of marriage, however, from information in family court records, suggest that MFIP's impacts did not arise from underreporting among AFDC recipients.

[3] The NIT experiments sought to avoid marriage disincentives by extending eligibility to both one- and two-parent families. For two-parent families, the NIT offer was extended to both the husband and the wife in the event of a marital dissolution, and thus it subsidized the breakup. Income often increased quickly and sharply when a spouse left the household (Cain, 1986; Cain and Wissoker, 1990).

Table 4.7

MFIP's Impacts on Household Composition, Domestic Abuse, Psychological Functioning, and Parenting Behavior for Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Marital status and fertility						
Had a child since random assignment (%)	26.3	22.9	27.0	-0.8	-4.2	3.4
Currently married and living with spouse (%)	11.3	10.3	6.2	5.0 **	4.1 *	0.9
Currently married to biological father (%)	2.7	2.9	0.9	1.8	2.1 *	-0.2
Currently cohabiting (%)	14.6	14.7	18.5	-3.8	-3.8	0.0
Currently cohabiting with biological father (%)	1.5	2.0	2.8	-1.3	-0.9	-0.5
Domestic abuse						
Mother abused by intimate partner last year (%)	21.8	21.9	28.5	-6.7 *	-6.5 *	-0.1
Abused by current partner (%)	19.9	19.8	26.3	-6.4 *	-6.6 *	0.2
Abused by ex-partner (%)	17.2	18.7	25.4	-8.3 **	-6.8 *	-1.5
Abused by partner and ex-partner (%)	13.9	15.2	21.5	-7.6 **	-6.3 *	-1.2
Experienced physical abuse (%)	20.1	19.2	25.2	-5.1	-6.0	0.9
Experienced nonphysical abuse (%)	7.2	10.0	9.7	-2.6	0.3	-2.9
Experienced physical and nonphysical abuse (%)	5.5	7.3	6.5	-1.0	0.8	-1.8
Mother abused by other person last year (%)	24.5	24.7	33.0	-8.4 **	-8.3 **	-0.2
Abused by family member (%)	19.4	21.6	24.6	-5.1	-2.9	-2.2
Abused by unrelated individual (%)	22.2	19.2	28.4	-6.2	-9.2 **	3.0
Abused by family and unrelated individual (%)	15.3	14.0	15.1	0.2	-1.1	1.3
Experienced physical abuse (%)	23.5	24.0	30.7	-7.2 *	-6.7	-0.5
Experienced nonphysical abuse (%)	6.1	5.4	7.1	-1.0	-1.7	0.7
Experienced physical and nonphysical abuse (%)	5.0	4.7	4.8	0.2	-0.1	0.4
Mother ever abused in last 3 years (%)	49.1	49.9	59.6	-10.5 **	-9.7 **	-0.8

(continued)

Table 4.7 (continued)

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Maternal psychological functioning						
Depression scale	17.5	16.8	19.0	-1.5	-2.1 **	0.6
At high risk of clinical depression (%)	28.8	23.2	31.6	-2.8	-8.4 **	5.6
Parenting behavior						
Aggravation scale	1.8	1.8	1.9	-0.1	-0.1	0.0
Feeling less aggravated (%)	94.4	95.2	93.0	1.5	2.3	-0.8
Warmth scale	3.4	3.5	3.5	0.0	0.1	-0.1 *
Harsh-parenting scale	1.7	1.6	1.7	0.0	-0.1	0.1
Frequency of harsh parenting	2.3	2.2	2.4	-0.1	-0.2 *	0.1
Supervision scale	4.7	4.6	4.5	0.1 **	0.1	0.0
Sample size (total = 879)	306	292	281			

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

The results from the MFIP study suggest that the increase in income and changes in the benefit structure encouraged single mothers to marry.[4] In addition, children may have had access to greater financial resources because there likely was an additional earner in the family. A snapshot of total income for the last month available from the survey shows no significant differences in family income between the Incentives Only group and the AFDC group. (See Miller et al., 2000, for further discussion.)

The second panel in Table 4.7 presents MFIP's impacts on domestic abuse. While Table 3.7 shows that MFIP significantly reduced the incidence of domestic abuse, Table 4.7 shows that MFIP's financial incentives accounted for nearly all of this effect. Recipients in the Incentives Only group were nearly 10 percentage points, or 16 percent, less likely to have experienced domestic abuse in the past three years, compared with recipients in the AFDC group. MFIP's financial incentives also significantly reduced mothers' reports of domestic abuse by intimate partners (by 23 percent) and others (by 25 percent) in the year prior to the interview. The effects of MFIP's financial incentives on domestic abuse are striking. It is difficult to pinpoint precisely how the changed welfare rules affected abuse. Several aspects of MFIP likely helped women feel a greater sense of control over their lives and their finances, perhaps changing the dynamic between them and their abusers. These aspects include explicitly linking the increased income and work, which increased the reward for work and made the additional income feel "earned"; providing Food Stamps in the form of cash, which gave parents more control over their spending patterns; and encouraging parents to take advantage of MFIP's opportunities to rely less on the welfare system. It is also interesting that, for these long-term recipients, domestic abuse has a lower correlation with marriage (correlation = 0.1) than with maternal depression (correlation = 0.3), further suggesting that MFIP may have reduced abuse in part by increasing mothers' feelings of control over their circumstances.

A lower incidence of domestic abuse may affect children in many ways (see Rapheal and Tolman, 1997, for a complete discussion). To the extent that domestic abuse is linked to maternal depression and self-esteem, children may benefit from improved parenting. Compared with welfare recipients who were never abused, single mothers on welfare who have been abused are more likely to suffer from depression, mental health problems, post-traumatic stress disorder, and alcohol abuse. Children themselves may experience less abuse if their mothers are experiencing less of it, and they may also benefit from witnessing less domestic abuse. Abused women are more than twice as likely to have been exposed to domestic violence as children, both as victims and as witnesses; similarly, abused children and children who witness abuse of their mothers are more likely to be abusive as adults.

The bottom two panels of Table 4.7 present MFIP's impacts on depression and parenting behavior. MFIP's financial incentives significantly reduced recipients' depressive symptoms (based on a scale with a possible range from 0 to 60), compared with recipients in AFDC. Recipients in the Incentives Only group were also 8.4 percentage points less likely to be at risk of clinical depression, that is, scoring at 24 or above on the scale — a 27 percent decrease from the

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[4] MFIP also increased the likelihood among two-parent families of staying married or formalizing a partnership. See Chapter 6 of Volume 1 for this discussion (Miller et al., 2000).

AFDC group. Except for significantly decreasing the frequency of harsh parenting, MFIP's financial incentives had little effect on parenting.

It is somewhat surprising that the effects of financial incentives on depression do not show a stronger link with parenting.[5] The hypotheses linking maternal depression and parenting behavior are based on empirical research examining the effects of losses in income. Perhaps gains in income from employment and gains in income from other sources have very different implications for the relation between maternal depression and parenting. Or perhaps there may be observed or unobserved aspects of parenting that are most affected by depression but are not adequately measured in the survey. (For example, depressed mothers have been found to engage their children less actively and less positively than mothers who are not depressed, and these levels of observational measures of parenting were not assessed in this study.)

D. Impacts on Child Outcomes

Section V of Chapter 3 reports on MFIP's child outcomes; the program significantly decreased maternal reports of children's problem behavior and significantly increased maternal reports of their school engagement and performance. The following discussion examines the separate effects of MFIP's financial incentives and of adding the mandatory employment-related services.

Table 4.8 presents MFIP's impacts on child outcomes. A comparison of the impacts of MFIP's financial incentives and of adding the mandatory services shows that the improvements in children's behavior result entirely from the financial incentives. For example, MFIP's incentives reduced the Behavioral Problems Index (BPI) — a summary score that can range from 0 to 56 — by 1.5 points, and adding the mandatory services produced no additional effects. Furthermore, MFIP's incentives decreased children's internalizing behavior, such as feelings of anxiety, and increased children's positive behavior, or positive peer interaction.[6] The average score for children in the MFIP Incentives Only group is 200.6, out of a possible range of 0 to 250, for a significant impact of 6.9 points. MFIP's incentives also significantly improved children's compliance, as measured by a subscale of the Positive behavior Scale (PBS), by 3.9 points.[7] The impact of adding the mandatory services, in contrast, was to decrease the total PBS as well as the social competence and autonomy subscales.

Even though adding the mandatory services decreased children's positive behavior, this effect was counteracted by a positive effect of the financial incentives. Thus, children in MFIP families still scored higher on these positive behavior measures than children in AFDC families, although these differences are not statistically significant. As noted earlier, the BPI and PBS measure different aspects of behavior, so it is possible for MFIP's components to have different

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[5] MFIP's financial incentives had no impact on a number of alternative measures of parenting that combined warmth, supervision, and aggravation, and they had no impact on various measures of dispersion, that is, respondents who scored above the 75th percentile or below the 25th percentile on these parenting scales (determined by distributions for the control group).

[6] MFIP's financial incentives significantly reduced children's externalizing behavior but did not significantly affect internalizing behavior, in both cases as constructed to be comparable with the studies in the Project on State-Level Child Outcomes.

[7] MFIP's financial incentives also significantly improved a PBS compliance subscale constructed to be comparable with the studies in the Project on State-Level Child Outcomes.

Table 4.8

MFIP's Impacts on Maternal Reports of Child Behavior for Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Behavioral Problems Index						
Total score	11.2	11.2	12.7	-1.5 *	-1.5 *	0.1
Externalizing subscore	5.1	5.2	6.0	-0.9 **	-0.8 *	-0.1
Internalizing subscore	4.1	4.0	4.5	-0.3	-0.5 *	0.2
High level of behavioral and emotional problems (%)	6.8	10.6	14.5	-7.7 ***	-3.9	-3.8
Positive Behavior Scale						
Total score	194.2	200.6	193.7	0.5	6.9 **	-6.4 *
Compliance subscore	81.3	83.6	79.7	1.6	3.9 **	-2.4
Social competence subscore	58.2	60.1	59.0	-0.7	1.1	-1.9 **
Autonomy subscore	32.0	33.4	32.7	-0.7	0.7	-1.4 **
Behavioral problems at school						
Contacted by school about child's behavioral problems? (%)	29.8	34.3	34.6	-4.7	-0.2	-4.5
In special education? (%)	18.0	21.1	22.5	-4.5	-1.4	-3.1
Sample size (total = 879)	306	292	281			

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

effects on each outcome. In addition, MFIP's two components produced different effects within the same scale — the financial incentives particularly improved the compliance subscale of the PBS, while adding the mandatory services significantly reduced the social competence and autonomy subscales.

Table 4.9 presents MFIP's impacts on children's health and academic functioning. A comparison of the impacts of the financial incentives with the impacts of adding mandatory services shows that MFIP's effects on these outcomes are also largely due to the incentives. Recipients in the Incentives Only group, for example, reported higher levels of school engagement for their children than their AFDC counterparts — 10.2 versus 9.9 (on a score with a range from 0 to 12), for a statistically significant impact of 0.4 point. Recipients in the Incentives Only group were also more likely than AFDC recipients to report that their children had an accident or injury requiring a visit to a clinic or emergency room. This finding further suggests that it is not the increased use of child care that is driving the effect on this outcome, because the Incentives Only group did not experience significant increases in child care use.

In summary, nearly all of MFIP's beneficial effects on child outcomes can be attributed to the financial incentives. These results are consistent with the effects of MFIP's financial incentives on other outcomes, such as family income, marital status, maternal depression, and domestic abuse. In most cases, adding the mandatory services to the incentives produced no additional effect, positive or negative, so that effects of the full program are still positive.

II. Using the MFIP Intervention to Decompose the Effects of Income and the Effects of Employment

This section explores whether the effects of increased income can be isolated from the effects of increased employment generated by MFIP. MFIP significantly increased income and employment, and, according to the conceptual model, these effects may have impacts on children in a variety of ways. Fortunately, because the impacts on income and employment varied across each of MFIP's experimental groups, the three-group research design can be used to highlight the different potential ways in which income and employment affected child outcomes.[8] The implications from the results of this analysis are supported by findings from subgroup analyses and from nonexperimental analyses. This section revisits the tables throughout Chapter 4 to link MFIP's effects on mothers' employment and income to its effects on child outcomes and to make sense of these links via MFIP's effects on children's environments and family functioning.

As state policymakers weigh the costs and benefits of implementing welfare and employment programs, they need to understand and differentiate the potential implications of "employment only" policies and "employment and enhanced income" policies on family and child well-being. It has traditionally been difficult to isolate the pure effects of employment on children from the effects of increased earnings (or income) from that employment. Although a substantial empirical literature using nonexperimental techniques exists to isolate the effects of employment from the effects of income on children's well-being, interpreting the results from this work re-

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[8] This is an effort to understand causal relationships even though assumptions cannot be made about these causal relationships.

Table 4.9

MFIP's Impacts on Maternal Reports of Children's Health and Academic Functioning for Long-Term Recipients in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Health and safety						
Child's health rated by mother as very good or excellent (%)	75.0	80.4	77.8	-2.8	2.6	-5.4
Any child have accident/injury that required a visit to an emergency room or clinic? (%)	44.0	47.2	36.9	7.1 *	10.3 **	-3.2
Academic functioning						
Performance in school	4.1	4.1	4.0	0.2 *	0.2 *	0.0
Performance is below average (%)	7.2	8.9	12.3	-5.1 **	-3.4	-1.7
Engagement in school	10.2	10.2	9.9	0.3 **	0.4 **	-0.1
Ever repeated a grade? (%)	5.4	3.9	3.6	1.8	0.4	1.5
Ever suspended/expelled? (%)	11.4	14.3	12.9	-1.5	1.4	-2.8
Sample size (total = 879)	306	292	281			

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

quires strong assumptions. For example, quantifying the effects of income on children's well-being by comparing child outcomes for low-income versus higher-income families requires the strong assumption that the families are alike in all respects other than income. Tracing the effects of these factors on child outcomes in an experimental program is less restrictive and possibly more conclusive, because any changes in employment and income are caused by the experimental treatment.

The effects of employment and income may be isolated more clearly in an experimental framework when welfare and employment programs have an impact on only one variable. In the NEWWS Evaluation, for example, the labor force attachment program in most sites significantly increased employment but did not significantly increase income (Freedman et al., 2000). An in-depth analysis of child outcomes for selected NEWWS sites showed that, in general, impacts on children were not common and that the impacts that were found are not consistently favorable or unfavorable. Because financial incentive programs such as MFIP increase both income and employment, isolating their separate effects on child outcomes is more complicated. The effects of increases in employment and income may reinforce each other if they go in the same direction, or they may offset each other if they do not.

A. Experimental Findings

Understanding the Effects of Increased Income via MFIP's Financial Incentives. MFIP's financial incentives allowed recipients who voluntarily entered the workforce to keep more of their welfare income as their earnings increased. The impact of MFIP's financial incentives on employment was modest: incentives increased part-time employment and caused some recipients to reduce their hours worked. Consequently, children were generally less likely to be in either formal or informal child care arrangements. The dominant effect of the financial incentives was to increase income for working single mothers. Indeed, the financial incentives were primarily responsible for MFIP's antipoverty effects. Increased income likely improved child outcomes through its effects on both resources and socialization; it reduced material hardship, increased marriage, decreased maternal depression, and decreased domestic abuse.[9] Compared with the children in the AFDC group, the children in the Incentives Only group were more likely to be in a "married" two-parent family and among mothers who were less depressed, whose adult relationships were less asusive or conflictual, and who felt more financially secure (such as being able to pay bills).[10] Ultimately, MFIP's financial incentives reduced problem behavior and improved academic functioning among these children.

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[9] While the evaluation can rigorously attribute effects on family well-being (such as depression and domestic abuse) to MFIP's financial incentives, it is important to recognize that this part of the program did more than simply transfer additional money to working families. MFIP staff actively encouraged parents to take advantage of the new benefits that were available to them if they worked, and parents in the MFIP group were aware that they were being given an opportunity not available to everyone in the welfare system. Thus, with the exception of those who cut back on hours worked, it seems likely that the series of effects on family life was produced not just by a change in income but by a change in income that was linked to work and that felt to parents like an important and positive new opportunity. Even parents who did not work were provided with some additional control over their finances through the provision of Food Stamps as cash. While it is impossible to disentangle the effect of the additional income per se from the effect of *how* this income was provided for the families who increased their employment, both staff and families did report that MFIP felt like a different kind of welfare system than they had experienced in the past.

An alternative method of isolating income effects from employment effects is to identify a subgroup for whom MFIP's financial incentives had a significant and large effect on income but had no effect on employment. One such subgroup consists of respondents who were already working at random assignment — who would experience only "windfalls" from MFIP's financial incentives. Because the sample size for this subgroup (N = 100) is too small to produce reliable estimates, other subgroups were examined. For long-term recipients who were not in public or subsidized housing at the time of random assignment, MFIP's financial incentives significantly increased income but had no significant effects on participation rates or employment (not shown).[11] For this subgroup, MFIP's financial incentives also decreased children's externalizing behavior problems, increased positive behavior, and improved school engagement. These patterns confirm the prior suggested benefits to children from the independent effect of increased family income.

Another subgroup for whom MFIP's financial incentives significantly increased income but not employment consists of families whose focal children are girls. Chapter 3 compares MFIP's impacts on girls and on boys. The most pronounced effects on girls were driven by the impact of MFIP's financial incentives. For this subgroup of recipients, MFIP's financial incentives significantly increased average annual income, by $979, but had no significant effect on employment (not shown). In addition, girls in these families had significantly fewer behavior problems than boys, and they scored significantly higher on the PBS and on measures of school engagement and school performance.

Understanding the Effects of Increased Employment via the Impact of Adding Mandatory Services. The dominant effect of adding the mandatory services to MFIP's financial incentives was to increase full-time employment. With some exceptions for single mothers with children under the age of 6, the mandate required recipients to participate in employment-related activities unless they were working at least 30 hours per week. By comparing the effects of the full MFIP treatment with the effects of MFIP's financial incentives alone, the impact of adding the mandate — that is, the effect of mandating participation for recipients who would otherwise not have worked — can be isolated somewhat. Adding mandatory services to the incentives had no impact on children's negative behavior or academic achievement but did significantly decrease children's positive behavior, especially their social competence and sense of autonomy. These impacts give the first indication that increases in mothers' employment — especially mandatory, mostly full-time employment — may detrimentally affect selective aspects of children's behavior. Adding the mandatory services significantly increased mothers' use of both formal and informal child care, increased their use of stable formal care, increased material hardship, and increased the number of residential moves.

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[10] It is interesting to compare the effects of MFIP's financial incentives on single-parent families with the effects on two-parent families (Miller et al., 2000). For two-parent recipient families, MFIP significantly reduced the employment of one parent and significantly increased marital stability. Because the control group (most of whom were on AFDC-UP) were also subject to participation requirements, much of the effect of MFIP was driven by the program's financial incentives and by its streamlined eligibility rules for two-parent families. The children of two-parent families appear to be doing slightly better than their counterparts in the control group (see Appendix E).

[11] The impact of MFIP's financial incentives on employment for recipients who were not in public or subsidized housing is similar in this study and in Volume 1 (Miller et al., 2000).

These results should be interpreted carefully. One possible interpretation is that increased employment has relatively modest overall effects on child outcomes; that is, only specific aspects of children's positive behavior were negatively affected. It is noteworthy that adding the mandatory services to the financial incentives did not affect most of the outcomes on children's problem behavior and academic functioning. These results are somewhat consistent with results from the NEWWS Evaluation that also showed increases in employment but no increases in income, despite the differences between mandatory services alone (NEWWS) and adding the services to financial incentives (MFIP). Another interpretation is that children's positive experiences in child care or in new residences, due to the impact of adding the mandatory services, may have helped offset the potentially negative effects of mothers' employment; or that the potentially negative effects of child care and residential moves were offset by the beneficial effects of mothers' employment.

The subgroup defined by housing status is also useful for identifying the effects of employment on children. Because of MFIP's financial incentives, those recipients *not* living in public or subsidized housing at random assignment experienced significant increases in income but no significant increases in employment. For this subgroup, MFIP's financial incentives improved children's behavior and school engagement. In contrast, for those recipients living *in* public or subsidized housing, MFIP's financial incentives significantly increased average annual employment (double the impact for those without subsidized housing), and its effects on annual income were relatively modest (nearly $200 less on average over the three years than the impact for those not in subsidized housing; and MFIP's incentives alone did not significantly increase income in years 2 and 3). For this subgroup — with relatively larger employment increases and relatively smaller income increases — MFIP's financial incentives did not affect child outcomes (not shown).

Understanding the Effects of Increased Income and Increased Employment via the Full MFIP Program. The full MFIP program significantly increased both employment and full-time employment and, via its effect on increasing earned income, increased total family income. According to maternal reports, MFIP significantly decreased the overall level of children's behavior problems and externalizing behavior problems, and it significantly increased children's academic functioning. Note that the full MFIP program did not significantly affect children's internalizing behavior problems or any measure of positive behavior. These effects on child outcomes suggest that increases in mothers' employment that also lead to increased total family income beneficially affect or have neutral effects on various aspects of children's behavior and academic functioning. Such effects may be driven by children's experiences in formal child care and by improvements in mothers' adult relationships, or they may be driven by the offsetting or complementary effects of income, employment, and child care. In fact, the dual effects of increased income and increased employment in producing positive impacts on child outcomes is consistent across a number of subgroups (see the subgroup analyses in Section VI of Chapter 3).

Summary Based on Experimental Findings. In summary, MFIP's effects on child outcomes suggest that increases in family income that are not a result of increased full-time work may have beneficial effects on children's behavior, particularly on their internalizing behavior problems and positive behavior. Increases in employment alone (in the context of the added effect of mandatory sevices) that do not lead to increases in family income generally have neutral effects on most measures of child outcomes but may negatively affect selective aspects of children's positive behavior, particularly their social competence and autonomy. Mandating employment for single mothers who would otherwise not work may be particularly detrimental to children's positive behavior. The findings also suggest that increased income significantly improves children's academic functioning. The favorable effects on children's overall behavior and academic functioning that result from increased family income dominate any detrimental or neutral effects arising from mothers' employment.[12]

B. Nonexperimental Findings

Nonexperimental methods may also be used to examine the effects of income or the effects of employment on children in this study. One advantage of using nonexperimental techniques is that the effects of income may be examined controlling for the effects of employment and vice versa without having to search for selected subgroups who experienced only an increase in employment or only an increase in income. Two nonexperimental techniques were used: ordinary least squares regression and instrumental variables (IV) estimation. After a brief statement of the results, the last paragraphs of this section provide more technical detail about these nonexperimental estimation techniques.

Based on results from ordinary least squares regression, the effects of income on child outcomes are generally in the positive direction,[13] whereas the effects of maternal employment on child outcomes are generally neutral or negative. The results from the IV estimation somewhat confirm these patterns but, unfortunately, are imprecise (that is, they have large standard errors); therefore, since none of the IV estimates is statistically significant, the results must be interpreted with caution.[14] These results are preliminary. Future analyses will improve on the first-stage estimates (which may lead to more precise IV estimates) and may examine alternative measures of employment and income, such as part-time versus full-time employment, and they may expand the sample to include all single parents in the MFIP evaluation.

Much of the empirical research uses nonexperimental techniques to identify the effects of income and employment on children, and, as previously discussed, there are a number of problems in drawing strong conclusions based on these estimates. Many, though not all, nonexperimental techniques do not adequately control for unobserved or unmeasured characteristics that may be associated with employment or income as well as with child outcomes. In such cases, the effects of income or employment on children may instead reflect the effects of some other characteristic — such as living in a single-parent family — that is highly correlated with income or employment as well as with that child outcome. In standard ordinary least squares regression techniques, the estimates of the effects of income or employment may be biased for the same reason; that is, they may instead reflect the effects of some other characteristic associated with income or employment as well as with that child outcome. One analytic technique that resolves these potential biases is instrumental variables (IV) estimation with experimental data.

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[12] Note that the effect of mothers' employment may be neutral if the increase in hours worked implies that children are placed in high-quality child care arrangements.

[13] The one exception is a measure of performance in school. The effects of income for this outcome are negative and statistically significant at the 0.10 level. In IV estimates, the effects of income on performance in school turn positive, which suggests that the results from the ordinary least squares regression may be biased.

[14] Note that some of the estimates do have p-values that are less than 0.15.

IV estimation requires the availability of a new variable, an "instrument," which is highly correlated with employment or income but is not correlated with the child outcome (or, rather, is correlated with the child outcomes only through its effects on employment and income). IV estimation is implemented in two stages. In the first stage, an equation is estimated in which the independent variable of interest, such as income, is predicted by a set of instruments and a set of control variables. The predicted measure of income is then used as a dependent variable in a second-stage equation that has the child outcome as an independent variable (for a more detailed discussion about IV estimation with experimental data, see Morris and Gennetian, 1999; and Duncan, Magnusun, and Ludwig, 1999). There must exist at least one instrument for each potentially biased variable in the second-stage equation. Experimental data offer unique instruments to predict the first stage of an IV model: the experimental program is targeted to affect the employment and income of single parents (and the effects on children may occur indirectly through effects on income and employment). Thus, in the first stage of an IV model, the MFIP data offer not one but two instruments — assignment to the MFIP group and assignment to the Incentives Only group — to predict income and to predict employment.

The effects of income and the effects of employment were examined using nonexperimental techniques for four child outcomes: the Behavioral Problems Index (BPI), the Positive Behavior Scale (PBS), school engagement, and academic performance. Income is defined as average annual income from both earnings and welfare benefits during the three-year follow-up period, and employment is defined as average quarterly employment during the three-year follow-up period. Two techniques were used: ordinary least squares regression and IV estimation. These techniques also controlled for a number of pre-random assignment and baseline characteristics, such as age, education, and marital status of the mother; history of welfare receipt; race/ethnicity; and age of the focal child. In the IV model, the two instruments used to predict income and employment are an indicator variable for assignment into the MFIP group and an indicator variable for assignment into the Incentives Only group.

C. Summary of the Effects of Income and Employment on Child Outcomes

The literature on the effects of poverty on children suggests that children's cognitive and school functioning will benefit from increases in income (for example, see Duncan and Brooks-Gunn, 1997). The literature on the effects of maternal employment on children is less conclusive. Although this literature generally finds that the effects are neutral, the empirical work has less to say about the potentially different effects of mandatory employment and of voluntary employment or the potentially different effects on preschool- and school-age children.[15] Some research suggests that there may be benefits from maternal employment for children whose mothers want to work (Farel, 1980; Alvarez, 1985) or for children of single or low-income mothers.

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[15] Many of the studies examining the effects of employment on child outcomes do not control for income or the offsetting effects of high-quality child care. Thus, any detrimental effects of employment may be masked by beneficial effects of income or high-quality child care.

The findings from MFIP suggest that increases in income may benefit children's academic functioning and that increases in employment alone are generally neutral but may have negative effects on selective aspects of children's positive behavior. These results provide some evidence for the benefits of "employment and income-enhancing policies" over "employment only" policies. These results also suggest that measures of children's well-being that are collected in national surveys and are often used in nonexperimental work, such as the National Longitudinal Survey of Youth (NLSY), may not adequately capture aspects of children's socioemotional development that may be most affected by maternal employment. The Positive Behavior Scale (PBS) is a relatively new construct that was developed for the New Chance Demonstration (Polit, 1996) to accommodate the reading levels of educationally and economically disadvantaged populations.

Findings on child outcomes from other experimental studies of welfare and employment policies, such as Milwaukee's New Hope Project and the Canadian Self-Sufficiency Project (SSP), generally corroborate the evidence presented for MFIP. The New Hope program increased income and employment for families who were not working, and it reduced hours worked for families who were working full time (allowing them to have the same amount of income as when they worked full time). Teachers reported that boys in New Hope families had fewer classroom behavior problems and improved academic performance. SSP increased full-time employment and total family income for Income Assistance recipients, and impacts on children suggest some improvements in cognitive and academic functioning for early-school-age children. The increased employment across many sites in the NEWWS Evaluation (measuring the pure effects of mandatory services) reflects a mix of employment among mothers who would have worked if in a program that offered a financial incentive and mothers who may not have worked if in a program that offered a financial incentive.[16] Few consistently unfavorable or favorable effects were found for their very young, 5- to 7-year-old children.

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[16] There are a number of other possible explanations for why findings from the NEWWS Evaluation may not be comparable to findings from MFIP about the effects on children of adding mandatory services to financial incentives. The samples of families in the MFIP and the NEWWS child studies differ in three ways: (1) MFIP's beneficial effects on children focus on the sample of long-term recipients, whereas the NEWWS sample includes applicants as well; (2) MFIP's mandate exempted only single mothers with a child under the age of 1, whereas two of the NEWWS sites exempted single mothers with a child under the age of 3; and (3) children in the MFIP child study were age 5 to 12 at the interview date, whereas children in the NEWWS study were age 5 to 7. Finally, in MFIP, a negative effect on children of adding mandatory services to financial incentives was found only on an outcome measuring aspects of social competence and autonomy. Similar outcomes were not measured in the NEWWS study, although it did measure social compliance. It is interesting that social compliance may be most closely related to children's problem behavior and that children in both the NEWWS Evaluation and MFIP generally did not fare worse on these measures as a result of increased maternal employment.

Chapter 5

MFIP's Effects on the Children of Recent Applicants in Urban Counties

This chapter reviews the findings from the Minnesota Family Investment Program (MFIP) about the effects of MFIP on children in recent applicant families and compares these findings with the effects on children in long-term recipient families (as discussed in Chapters 3 and 4). Section I begins by summarizing the results for children of recent applicants. Next, Section II presents a selective overview of the effects of MFIP's financial incentives on family and child outcomes, followed by a selective overview of the effects of adding mandatory services to the financial incentives. To help understand why the effects of MFIP on children of recent applicants differ from the effects on children of long-term recipients, Section III examines the outcomes by welfare status, compares the impacts on maternal employment and earnings for recent applicants and for long-term recipients, and examines the effects of MFIP on selected subgroups of recent applicants.

I. Summary of the Main Findings

Figure 5.1 presents a summary of MFIP's impacts on recent applicants, again matching the format of the conceptual model in Chapter 1 (Figure 1.2). Although all recent applicants were offered financial incentives to work during the entire 36-month follow-up period, only slightly more than half were required to participate in employment services by the end of follow-up. Therefore, the impacts of adding mandatory services to financial incentives assess the effects on employment, earnings, and income of those recent applicants who heard a message about MFIP's participation requirements as well as the effects on those who were actually eligible — or, alternatively, those who stayed on welfare long enough to be subject to the participation mandate. The findings below focus on MFIP's impacts (that is, impacts of the full MFIP program) rather than on the impacts of MFIP's components (financial incentives alone or adding mandatory services).[1] It is important to note that, because of small sample sizes, the impacts of MFIP's financial incentives alone are imprecise and should be interpreted with caution.[2]

- **Children in MFIP generally fared similarly to children in AFDC.**

MFIP had few systematic impacts on young children. Of the child outcomes evaluated for focal children, recent applicants in MFIP reported significant differences on only one outcome — higher levels of children's suspensions and expulsions (4.4 percentage points) — compared with AFDC recipients.[3]

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[1] As discussed in Appendix B, a nonresponse bias analysis indicated that impact estimates of MFIP's financial incentives had to be adjusted to control for pre-random assignment characteristics. In this case, controlling for these characteristics ensures that the impact estimates are not biased.

[2] Appendix E presents impact results from a larger sample of selected schooling outcomes measured for all children of recent applicants in the core sample.

[3] However, there is some indication that MFIP negatively affected some outcomes for adolescent children of the full evaluation sample. See Appendix E.

Figure 5.1

Summary of the Significant Effects of MFIP on Child Outcomes for Recent Applicants in Urban Counties

MFIP Program Implementation

Provision of services

Provision of message

Direct Outcomes

↑ **Participation in employment-related activities**

↑ **Employment**

Earnings

↑ **Welfare benefits**

Total income[a]

Measured poverty[a]

Intermediate Outcomes

Resources

Material hardship

Public housing

Food security

↑ **Health insurance**

Child care

Quality of home environment

Safety of neighborhood

Socialization

Fertility

Marriage

Domestic abuse

Maternal depression

Parenting behavior

Child Outcomes

Behavioral Problems Index

Positive Behavior Scale

Behavioral problems at school

Health

Academic functioning

NOTES: Any significant difference, at least at the .10 level, between the program group and the control group (the impact) is indicated in bold. The arrows next to bold items indicate the direction of the impacts.

Outcomes within each column may also interact with or influence each other.

[a] Calculated based on the sum of income from benefits and earnings.

- **MFIP increased recent applicants' full-time employment and welfare income but had no impact on earnings.**

MFIP had a small impact on recent applicants' overall employment, especially full-time employment, and it significantly increased their welfare income. MFIP's financial incentives alone primarily increased welfare receipt and welfare income, whereas adding the mandatory services increased full-time employment. MFIP had no impact on income measured from earnings and welfare or on measured poverty.

- **Children of recent applicants in MFIP were more likely than children in AFDC to have continuous health insurance coverage.**

MFIP increased the likelihood that children had continuous health insurance coverage, particularly coverage by Medicaid or MinnCare.

- **For recent applicants, MFIP had no impacts on child care, marriage, maternal depression, or domestic abuse, but it did increase harsh parenting.**

MFIP had no significant impacts on the use of child care, on mothers' being married or depressed, or on reports of domestic abuse. MFIP did significantly increase the frequency of harsh parenting, such as scolding or losing one's temper.

- **Compared with the effects of the full MFIP program, MFIP's financial incentives alone had some negative effects on recent applicant families and children, but these effects should be interpreted with caution because of small sample sizes.**

MFIP's financial incentives had no impacts on employment or income but did increase the receipt and amount of welfare benefits. Recent applicants in the Incentives Only group reported that their children were more likely to perform below average in school and were less engaged in school compared with children in AFDC families. There were no significant differences in reports of children's behavior between recent applicants in the Incentives Only group and the AFDC group. By encouraging families to be tied to the welfare system, MFIP's financial incentives were primarily responsible for MFIP's impact on children's continuous health insurance coverage. In addition, MFIP's financial incentives increased the likelihood that recent applicant families resided in public or subsidized housing and had enough food to eat. MFIP's financial incentives affected the quality of parenting and the quality of the home environment; the incentives were primarily responsible for increased harsh parenting, increased maternal depression, and increased cohabitation with someone other than the biological parent of the child.

- **Whereas MFIP produced positive results across a wide range of outcomes for long-term recipients, MFIP's effects on recent applicants were less consistent.**

For long-term recipients, MFIP increased employment and income, increased marriage and the use of child care, decreased domestic abuse, and improved child outcomes. For recent applicants, MFIP had a small effect on increasing full-time employment but no effects on child outcomes. In particular, the effects of MFIP's financial incentives were different for these two groups of welfare families. For long-term recipients, it was primarily the financial incentives that improved child outcomes; for recent applicants, financial incentives had the opposite effect on child outcomes and also increased maternal depression and harsh parenting. Recent applicants may have sought out public assistance during a time of crisis or transition in their lives. One theory is that these recent applicants were not accustomed to being on welfare and were anxious to work but that MFIP's financial incentives prolonged welfare assistance and provided little help in finding work.

A number of possible explanations arise for the different and opposite effects of MFIP and its financial incentives on long-term recipients and recent applicants. First, it is important to note that, in general, children of recent applicants fare better on a number of child outcomes and thus have less room for improvement compared with children of long-term recipients. Second, recent applicants are relatively more heterogeneous compared with long-term recipients in terms of their demographic characteristics as well as their current and future experience with public assistance.

In many cases, recent applicant families may not represent the "stereotypical" welfare recipient family. Their entrance into the welfare system may be a dramatic economic shift into poverty that occurs simultaneously with other family upheaval. This has two implications. First, MFIP encourages single mothers to work and to take advantage of its benefits via financial incentives; but because there are no services offered at the time they apply for welfare, if they want to enter employment but do not know how, MFIP's financial incentives alone may add stress and frustration to their lives.[4] Although Minnesota's traditional welfare-to-work program, STRIDE, was available to this group, it was not heavily marketed and was primarily focused on education. Second, it may be detrimental to prolong a recent applicant's dependence on welfare (or those who try to leave welfare) by working. The stigma effects of prolonged welfare may be much greater for recent applicants than for long-term recipients, who have already had long spells on welfare.

II. Overview of MFIP's Effects on Recent Applicants and Their Children

Approximately 30 percent of recent applicant families in the MFIP program group accumulated 24 months of welfare receipt by the end of the second year after random assignment, and 57 percent accumulated 24 months of welfare receipt by the end of the follow-up period.[5,6]

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[4] A study by Hock and DeMeis (1990) found that women who preferred employment but remained at home reported higher levels of depressive symptoms. This provides some support for the hypothesis that MFIP's financial incentives may increase feelings of conflict between work and welfare for single-mother recent applicants and consequently may lead to stress, frustration, or depression.

[5] The proportions of recent applicant families who actually hit the time trigger are approximate estimates calculated by counting the number of months that a recent applicant was on welfare from one year prior to random assignment. These approximations may be underestimated, because some recent applicants were on welfare for longer than one year prior to random assignment (see Table 2.1); or the approximations may be overestimated, because some of those who accumulated 24 months of welfare receipt were already working at least 30 hours per week and thus were exempt from MFIP's participation mandate.

[6] The subgroup of short-term recipients at baseline, or those recent applicants who were on welfare for less than two years at random assignment, were more likely to experience the full MFIP intervention. Nearly 88 percent of short-term recipients in the MFIP group accumulated 24 months of welfare during the 36-month follow-up period. Unfortunately, the sample for this group is relatively small (N = 289).

Descriptions of how the following outcomes were measured can be found in Appendix C and are interspersed in text boxes throughout Chapter 3.

Employment, Earnings, Income, and Resources. Table 5.1 presents MFIP's impacts on participation, employment, earnings, welfare, and income for recent applicants. The average quarterly employment rate of recent applicants in the control group (71.2) was much higher than the average quarterly employment rate of long-term recipients (57.7 in Table 3.1). According to employment measured from administrative records data, MFIP had no significant impact on the overall average quarterly employment rate for recent applicants. However, survey measures of employment show that MFIP increased overall employment by 4.7 percentage points and increased full-time employment by 9.4 percentage points compared with the rates of AFDC families. Recent applicants in MFIP were significantly more likely to earn very low wages, under $5 per hour, compared with AFDC families (not shown). MFIP had no significant impact on earnings, though earnings were smaller relative to AFDC families, and MFIP significantly increased the likelihood of combining welfare and earnings (not shown).

MFIP's financial incentives had small but statistically insignificant effects on average quarterly employment rates over the three-year follow-up period. Driven by MFIP's financial incentives, the reduction in average annual earnings (- $1,168), though not significant, suggests that mothers reduced their hours worked.[7] Nearly each dollar lost in earned income was offset by a dollar gained in welfare assistance ($1,158). Consequently, average annual income from earnings and welfare over the three-year follow-up period was similar for the MFIP group and the ADFC group, but a greater proportion of income for the MFIP group came from public assistance.[8]

Adding mandatory services to financial incentives increased recent applicants' participation in employment-related activities by 14.2 percentage points and increased their full-time employment by 7.8 percentage points. Though the impacts on employment are not statistically significant, their pattern suggests that the effects of adding mandatory services to incentives were to increase average annual earnings ($548), decrease average annual welfare payments (- $401), and slightly increase average annual income ($147). Adding mandatory services to incentives also increased recent applicants' earnings by year 3 of follow-up (not shown).

Table 5.2 presents MFIP's impacts on recent applicants' housing, food security, and health insurance coverage. Compared with long-term recipients in the control group, recent applicants reported similar levels of food security (85.6 versus 80.1 in Table 3.3) and health insurance coverage for their children (62.7 versus 67.0 in Table 3.3). MFIP significantly increased continuous health insurance coverage for children in recent applicant families, by 7.2 percentage points, and again the increased coverage was primarily by Medicaid or MinnCare. MFIP's financial incentives alone significantly affected housing, food security, and health insurance coverage;

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[7] In the survey, recent applicants in the Incentives Only group reported significantly lower earnings in the month prior to the interview, compared with AFDC families (not shown).

[8] Note that for the core sample of recent applicants, evaluated in Volume 1, the increased welfare income from MFIP more than offset any loss in earnings and consequently did significantly increase average quarterly income from earnings and welfare.

Table 5.1

MFIP's Impacts on Participation, Employment, Earnings, Welfare, Income, and Poverty for Recent Applicants in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Participation, employment, and earnings since random assignment (%)						
Ever participated in an employment-related activity (from administrative records) (%)	75.1	60.9	64.8	10.3 **	-3.9	14.2 ***
Average quarterly employment (from administrative records) (%)	74.6	73.9	71.2	3.3	2.6	0.7
Worked since random assignment (from survey) (%)	93.0	89.1	88.3	4.7 *	0.8	4.0
Average annual earnings ($)	6,817	6,270	7,438	-620	-1,168	548
Hours worked in current or most recent job (%)						
Worked full time	74.7	66.9	65.3	9.4 **	1.6	7.8
Worked part time	17.9	21.4	23.2	-5.3	-1.8	-3.5
Welfare benefits						
Average quarterly receipt rate (%)	72.4	73.9	66.2	6.3 **	7.8 **	-1.5
Average annual welfare benefit ($)	4,530	4,930	3,772	757 ***	1,158 ***	-401
Income and poverty since random assignment						
Average annual income from welfare and earnings ($)	11,347	11,200	11,210	137	-10	147
Measured poverty[a] (%)	63.6	66.8	70.2	-6.6	-3.4	-3.2
Income and poverty since random assignment with estimated EIC[b]						
Average annual income from welfare and earnings with estimated EIC ($)	12,283	12,288	11,991	292	298	-6
Measured poverty with EIC[a] (%)	52.7	58.4	58.4	-5.6	0.1	-5.7
Sample size (total = 652)	258	135	259			

(continued)

Table 5.1 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and welfare benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

[a] Measured poverty is defined as the percent of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits, but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

[b] These estimates are calculated assuming that all eligible individuals receive both the federal and the state Earned Income Credit (EIC). Estimated payroll taxes and federal and state income taxes are also subtracted.

Table 5.2

MFIP's Impacts on Material Hardship, Food Security, and Health Insurance for Recent Applicants in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Material hardship						
Perceptions of financial strain	2.7	2.8	2.7	0.0	0.1	-0.1
Index of material hardship	1.4	1.4	1.4	0.0	0.0	0.0
Own home (%)	28.2	20.6	27.6	0.6	-7.1	7.6
Live in public or subsidized housing (%)	10.7	17.2	9.8	0.9	7.4 **	-6.4 *
Live in other housing (%)	60.9	62.1	62.6	-1.7	-0.5	-1.1
Food security						
In last month, family had enough to eat (%)	90.1	93.1	85.6	4.5	7.5 **	-3.0
In the last month, did any children skip a meal because not enough money for food? (%)	4.3	1.9	4.1	0.2	-2.2	2.4
Health insurance						
Children continuously covered by health insurance during past 36 months (%)	69.9	76.0	62.7	7.2 *	13.3 **	-6.1
In the last month, were children covered by Medicaid or MinnCare? (%)	55.3	57.3	43.2	12.1 ***	14.2 ***	-2.1
In last month, were children covered by private insurance? (%)	36.5	36.7	42.2	-5.7	-5.5	-0.2
Sample size (total = 652)	258	135	259			

(continued)

Table 5.2 (continued)

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

although the incentives had no significant effect on material hardship, families in the Incentives Only group were more likely to live in public or subsidized housing. MFIP's financial incentives also increased the likelihood by (7.5 percentage points) that recent applicant families had enough food to eat, compared with AFDC families. Finally, MFIP's financial incentives significantly increased the continuity of health insurance coverage for children during the follow-up period. These impacts likely resulted from the role of MFIP's financial incentives in encouraging and increasing ties to the welfare system. Further evidence in support of this is that adding mandatory services to incentives had no impacts on food security and health insurance coverage, as shown in the last column of Table 5.2. However, one effect of adding mandatory services to incentives was to decrease recent applicants' residency in public or subsidized housing and to increase their residency in private homes.

Child's and Family's Environment. Table 5.3 presents MFIP's impacts on recent applicants' use of child care and on their home environment and neighborhood. Full MFIP and MFIP's Incentives Only generally had no significant impacts on child care, home environment, neighborhood quality, or number of moves.[9] It is interesting that MFIP decreased sibling care during the follow-up period and that children spent fewer hours in child care during the week prior to the interview (not shown). This is not surprising, because recent applicants significantly reduced their hours worked in response to MFIP's financial incentives. Even though MFIP's financial incentives did not significantly affect the HOME score, interviewers who assessed the home environment reported that children in the Incentives Only group were more likely to live in a home with cluttered rooms, a building with health hazards, and a relatively unkempt neighborhood compared with children in the AFDC group (not shown). Children in the MFIP's Incentives Only group were also significantly less likely to move.

Adding mandatory services to financial incentives increased the likelihood that children were in formal child care, by 9.5 percentage points, and significantly increased the likelihood that children experienced a residential move. (As previously discussed, the move may reflect a higher likelihood that MFIP families moved from public or subsidized housing to a private home or a lower likelihood that AFDC families moved out of public or subsidized housing.)

Parent-Child Relationships and Family Functioning. Table 5.4 summarizes MFIP's impacts on recent applicants' household composition, psychological functioning, domestic abuse, and parenting behavior. On average, recent applicants in the control group reported much higher levels of marriage compared with long-term recipients, 20.8 percent versus 6.2 percent (see Table 3.7). Fewer recent applicants were at high risk of clinical depression (20.6 versus 31.6 percent in Table 3.7), and fewer reported ever being abused in the past three years (49.1 versus 59.6 percent in Table 3.7). MFIP had no significant impacts on recent applicants' marital status and fertility, depression, or domestic abuse. MFIP did significantly increase harsh parenting, such as scolding and threatening, and the frequency of harsh parenting.[10]

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[9] MFIP also had no significant impact on the modified Home-Short Form (HOME-SF) cognitive stimulation subscale constructed to be comparable with the studies in the Project on State-Level Child Outcomes.

[10] MFIP also had no significant impact on various alternative constructions of the parenting outcomes. For example, on the parenting scales, MFIP had no impacts on scoring above the 75th percentile or below the 25th percentile relative to the control group.

Table 5.3

MFIP's Impacts on the Child's Environment for Recent Applicants in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Child care used since random assignment						
Never used child care (%)	13.1	16.5	12.2	0.9	4.3	-3.4
Formal child care (%)	53.7	44.1	48.8	4.9	-4.6	9.5 *
Informal child care (%)	73.9	73.9	76.6	-2.7	-2.7	0.0
Self-care (%)	20.3	18.3	18.1	2.2	0.2	2.1
Quality of home environment						
Total HOME scale	78.4	78.3	78.7	-0.3	-0.4	0.1
Neighborhood						
Live in a safe neighborhood (%)	83.2	81.1	83.1	0.1	-2.0	2.1
Number of moves since random assignment	1.8	1.3	1.6	0.1	-0.4 **	0.5 ***
Sample size (total = 652)	258	135	259			

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

Table 5.4

MFIP's Impacts on Household Composition, Psychological Functioning, Domestic Abuse, and Parenting Behavior for Recent Applicants in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Marital status and fertility						
Had a child since random assignment (%)	23.5	25.3	22.5	1.0	2.8	-1.8
Currently married and living with spouse (%)	23.5	14.0	20.8	2.7	-6.9	9.6 **
Currently cohabiting (%)	14.0	18.5	10.7	3.3	7.9 **	-4.5
Maternal psychological functioning and domestic abuse						
Depression scale	15.3	16.7	14.2	1.0	2.5 *	-1.4
At risk of chronic depression (%)	22.0	23.4	20.6	1.5	2.9	-1.4
Ever abused in past 3 years (%)	48.6	54.0	49.1	-0.4	5.0	-5.4
Parenting behavior						
Aggravation scale	1.8	1.8	1.7	0.0	0.1	-0.1
Feeling less aggravated (%)	93.8	94.0	96.6	-2.8	-2.6	-0.2
Warmth scale	3.5	3.4	3.4	0.1	-0.1	0.2 *
Harsh-parenting scale	1.7	1.7	1.5	0.1 **	0.2 ***	-0.1
Frequency of harsh parenting	2.3	2.4	2.1	0.2 *	0.3 ***	-0.1
Supervision scale	4.6	4.6	4.6	-0.1	-0.1	0.0
Sample size (total = 652)	258	135	259			

SOURCE: MDRC calculations using data from the 36-month survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

MFIP's financial incentives alone, however, did affect cohabitation among recent applicants. Those in the Incentives Only group were 7.9 percentage points more likely to cohabit than those in the AFDC group. Only a very small proportion of cohabiting relationships were with the biological father of the focal child (not shown). Considered from the perspective of the child, it is difficult to say whether these partnerships involved the intermittent presence of a second adult in the household or the stable presence of a father figure with a long-term commitment to the mother and child. MFIP's financial incentives also significantly increased the likelihood that children lived with extended family members, such as grandparents, uncles, and aunts (not shown). Adding mandatory services to incentives significantly increased marriage among recent applicants, by 9.6 percentage points.

Relative to mothers in the AFDC group, recent applicants in the Incentives Only group scored higher on the Center for Epidimiological Studies-Depression (CES-D) scale, though they were not significantly more likely to be at high risk of clinical depression; and although the impact is not statistically significant, they scored higher on the aggravation scale (p-value of 0.14). MFIP's financial incentives also increased harsh parenting as well as the frequency of harsh parenting relative to AFDC families. Adding mandatory services to financial incentives had no effect on depression for recent applicants but did significantly increase warm parenting.

Child Outcomes. Table 5.5 presents MFIP's effects on child outcomes among recent applicants and generally shows no significant impacts.[11] Of the many child outcomes analyzed, MFIP significantly increased only the likelihood that a focal child was suspended or expelled from school, by 4.4 percentage points. This impact is not so compelling, however, because there is a lack of consistency in MFIP's effects on other academic and schooling outcomes.[12] Neither financial incentives alone nor adding mandatory services had significant effects on children's behavior. However, recent applicants in the Incentives Only group did report that, compared with children in the control group, their children performed significantly worse in school and were significantly less likely to be highly engaged in school. In contrast, adding mandatory services to financial incentives had a generally neutral effect on children's academic functioning and actually reduced grade repetition by 3.8 percentage points.

Subgroups. In Chapter 3, MFIP's effects were presented for four subgroups defined by age of the child, gender of the child, race/ethnicity, and level of family disadvantage. These same subgroups of recent applicants were examined to see whether average impacts for all families may be masking positive or negative effects that MFIP had on certain types of families. Only the effects of full MFIP are discussed here (tables are not shown). Section III provides a more detailed examination of the effects of MFIP's financial incentives alone.

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[11] MFIP also had no significant impacts on various alternative constructions of the child outcomes, including measures of the BPI and PBS that were constructed to be comparable with the studies in the Project on State-Level Child Outcomes. For example, on the scales measuring problem behavior and positive behavior, MFIP had no impact on scoring above the 75th percentile or below the 25th percentile relative to the control group.

[12] An analysis of selected schooling outcomes measured for all children in recent applicant families in the core sample shows that MFIP had pronounced negative effects on grade performance and grade repetition and on mothers' being contacted by the school about behavioral problems of children age 10 or older at the time of random assignment (see Appendix E). The impacts of MFIP on school suspensions and expulsions is consistent with these impacts for adolescents.

Table 5.5

MFIP's Impacts on Maternal Reports of Children's Behavior, Health, and Academic Functioning for Recent Applicants in Urban Counties

	Average Outcome Levels			MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Outcome	MFIP	MFIP Incentives Only	AFDC	Impacts of Full MFIP Program	Impacts of Financial Incentives Alone	Impacts of Adding Mandatory Services and Reinforced Incentive Messages
Behavior						
Behavioral Problems Index	10.8	10.7	9.8	1.0	0.9	0.1
Positive Behavior Scale	196.8	196.6	200.0	-3.2	-3.4	0.3
Contacted by school about child's behavioral problems? (%)	22.5	26.8	24.7	-2.2	2.1	-4.3
Child in special education? (%)	15.5	14.8	17.4	-1.9	-2.7	0.7
Health						
Child's health rated by mother as very good or excellent (%)	77.2	81.1	78.7	-1.4	2.4	-3.9
Academic functioning						
Performance in school	4.2	4.1	4.3	-0.1	-0.2 *	0.1
Performance is below average (%)	8.2	9.6	5.1	3.1	4.5	-1.4
Engagement in school	10.2	10.0	10.4	-0.2	-0.5 **	0.3
Ever repeated a grade? (%)	2.0	5.8	4.6	-2.6	1.2	-3.8 *
Ever suspended/expelled? (%)	10.5	8.5	6.2	4.4 *	2.3	2.0
Sample size (total = 652)	258	135	259			

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

Although there were no significant differences between the effects of MFIP on the employment and income of mothers of boys versus girls, MFIP increased the welfare income of mothers of girls, and thus the increased total average income from earnings and welfare for MFIP families with boys was lower than for MFIP families with girls. There were no significant differences among the effects of MFIP on the economic outcomes of mothers with children in different age groups. Compared with the control group, MFIP boys scored lower on school engagement, and children under age 6 were more likely than older children to score lower on school engagement. Compared with other racial/ethnic subgroups, only white children scored lower on school engagement, and they were more likely to perform below average in school than their control group counterparts. Interestingly, MFIP had no significant impacts on the employment and income of white parents but had significant positive impacts on the employment and income of black parents. Some of MFIP's negative effects occurred for the children of mothers who were the least disadvantaged — mothers who had a high school diploma and recent employment experience. MFIP very modestly increased the employment of these mothers but had no significant effect on their income. The children of the least disadvantaged mothers performed more poorly in school compared with children in the control group. These patterns did not occur for the subgroup of mothers who were relatively more disadvantaged.

In summary, these results suggest that some of MFIP's average effects for all families may be masking negative and, in some cases, positive effects that MFIP had on certain types of recent applicant families. For the most part, MFIP's negative effects on children occurred in families who experienced no effects on employment and income. One subgroup — black families — did experience significant increases in employment and income due to MFIP. Given these mixed results, it is difficult to assess their implications without further analysis, especially since sample sizes are quite small for some subgroups.

III. Why Did MFIP's Effects on Children of Recent Applicants Differ from Its Effects on Children of Long-Term Recipients?

According to maternal reports, children of long-term recipients in MFIP had fewer behavioral problems than children of AFDC families, scored higher on the PBS, and were more likely to be engaged in school and to perform better academically. Long-term recipients gained more from MFIP: increased employment, increased earnings, and higher income from earnings and welfare benefits. MFIP's financial incentives contributed to nearly all of the program's beneficial effects on children of long-term recipients. Contrary to expectations, however, the findings for recent applicants suggest that MFIP's financial incentives had a detrimental effect on children's academic functioning. Adding mandatory services to the incentives had somewhat neutral effects on children of recent applicants, although the patterns are similar to the patterns for children of long-term recipients — which is not surprising, because recent applicant families are likely to resemble long-term recipient families by the time they are eligible for mandatory services.

The impacts of MFIP and of its financial incentives on children of recent applicants and on children of long-term recipients may have differed for at least three reasons. First, MFIP's effects might be expected to be neutral if there were less room for improvement among children of recent applicants; in general, recent applicants' children fared better on a number of child outcomes than did children of long-term recipients. Second, MFIP affected recent applicant mothers differently (in terms of employment and earnings), leading to different pathways by which these outcomes affected their children. Third, recent applicants were a heterogeneous group compared with long-term recipients; by prolonging their spells on welfare, MFIP's financial incentives may have contributed to the stress, frustration, and challenges of parenting and of trying to get off welfare. Each of these reasons for MFIP's different effects is examined below.

In What Ways Did Children of Recent Applicants and of Long-Term Recipients on AFDC Fare Differently? To assess whether children of recent applicants fared better on child outcomes than children of long-term recipients, one can compare outcomes within the control groups, who received only AFDC's benefits. Table 5.6 shows that, on average, children of recent applicants on AFDC performed better on a number of child outcome measures than did children of long-term recipients on AFDC. According to maternal reports, children of recent applicants scored 3 points lower on the BPI, scored 5 points higher on the PBS, were 7 percentage points less likely to perform below average in school, were slightly more likely to be engaged in school, and were nearly 7 percentage points less likely to be suspended or expelled from school. Thus, for the AFDC groups, there was less room for improvement among children of recent applicants than among children of long-term recipients. Although this does not completely explain why MFIP's financial incentives had a negative impact on academic functioning, it nonetheless is interesting that — even with the detrimental effects of MFIP's financial incentives — children of recent applicants did better on average than children of long-term recipients.

How Did MFIP's Effects on Employment and Earnings Differ Between Recent Applicants and Long-Term Recipients? Tables 4.1 and 4.2 present the impacts of MFIP on employment, earnings, and income for long-term recipients, and Table 5.1 does the same for recent applicants. Except for the impacts of adding mandatory services to financial incentives, MFIP clearly had dramatically different effects on increasing the employment and earnings of these two welfare populations. For both recent applicants and long-term recipients, however, MFIP's financial incentives had somewhat similar effects: decreased earnings, or hours worked, and increased welfare income. Yet for recent applicants the increase in welfare income was offset dollar for dollar by a decrease in earned income. Consequently, for recent applicants, MFIP's financial incentives did not lead to an increase in measured income, as was the case for long-term recipients.

More important is that, despite these similar patterns, MFIP's financial incentives had opposite effects on the hypothesized pathways by which employment and income may have affected children. For long-term recipients, MFIP's financial incentives decreased depression and decreased the frequency of harsh parenting — effects likely linked to the decrease in hours worked. For recent applicants, however, the financial incentives increased depression and harsh parenting. Whereas the incentives increased marriage (and increased marriage to the biological father) among long-term recipients, it increased cohabitation — a much less stable arrangement — among recent applicants. Interviewers also reported that, because of MFIP's financial incentives, children of recent applicants were more likely to live in a home that was visibly cluttered and in a building and neighborhood that were not well kept or safe. In summary, MFIP's financial incentives decreased the quality of the home environment (both the physical environment and the parent-child interaction) for children of recent applicants and seemed to improve some aspects of the home environment for children of long-term recipients.

Table 5.6

Means and Standard Deviations of Child Outcomes in AFDC Families, by Welfare Status at Random Assignment

	Recent Applicants		Long-Term Recipients	
Outcome	Mean	Standard Deviation	Mean	Standard Deviation
Behavior				
Behavioral Problems Index	9.8	7.2	12.6	10.4
Positive Behavior Scale	199.2	31.1	194.4	39.1
Contacted by school about child's behavioral problems? (%)	23.2	-	33.6	-
Health				
Child's health rated by mother as very good or excellent (%)	79.2	-	77.7	-
Academic functioning				
Engagement in school	10.4	1.7	9.9	1.9
Performance in school	4.3	0.9	4.0	1.1
Performance is below average (%)	5.2	-	12.3	-
Ever repeated a grade? (%)	4.4	-	3.6	-
Ever suspended/expelled? (%)	5.7	-	12.5	-
Sample size	259		281	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

Sample size may slightly vary for each outcome variable.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

How Did Recent Applicants Differ from Long-Term Recipients? Both observable and unobservable characteristics may be associated with the reasons why single mothers slip into poverty, enter welfare, or remain poor and on welfare. As a group of single mothers who became poor and remained poor, the long-term recipients in this study are a far more homogeneous welfare population than are the recent applicants. In general, for some recent applicants, a spell on public assistance is a one-shot experience during a period of need. For others, spells on public assistance occur frequently but intermittently. Still other recent applicants may come to rely continually on the public assistance system. It is these recent applicants who are likely to slip into poverty, remain poor, and make up the future population of long-term recipients.

In any of these scenarios, a recent applicant's slip into poverty may be occurring simultaneously with other family upheaval, such as divorce or job loss. In many ways, recent applicant families may not represent a "stereotypical" welfare family and may be more vulnerable to the detrimental stigma effects of welfare assistance or to the stress associated with wanting to get off welfare. These conditions have important implications for children. Young children are affected the most during the first few years after a divorce or separation (McLanahan, 1997). The experience of a job loss may have similar effects in a family. Elder's early work on the effects of the Great Depression suggests that job loss increases negative parenting (as summarized in Elder et al., 1992).

Table 2.1 presents a number of baseline characteristics comparing this study's recent applicants and long-term recipients. The recent applicants were more likely to have experienced a divorce or separation, to be white, to have been working at random assignment, to have had some earnings in the year before random assignment, and to have had slightly higher levels of education. Compared with the long-term recipients, more of the recent applicants expressed a preference for going to school to learn a job skill; fewer of them were likely to agree that being on welfare provided for their family better than working; and they were much more likely to agree that they did not know family, friends, or neighbors who were on welfare. These baseline characteristics support the hypothesis that recent applicant families may not be stereotypical at-risk families.

Separation or divorce and job loss are two events that may force families to slip unexpectedly into poverty and to rely on public assistance. If MFIP's financial incentives negatively contribute to these events by prolonging welfare assistance, then the detrimental effects of the incentives on the quality of children's environments should be most pronounced for these particular subgroups. Table 5.7 compares the impacts of MFIP's financial incentives on selected outcomes for recent applicants who were separated or divorced at baseline with the impacts for those who were never married at baseline. The effect of MFIP's financial incentives on measured income was in the positive direction for never-married mothers, compared with separated or divorced mothers, and there were smaller and fewer significant effects on parenting.

The strongest contrast between separated or divorced recent applicants and those who never married is seen in the impacts on depression. MFIP's financial incentives significantly increased depression among separated or divorced recent applicants, and their probability of being at high risk of clinical depression was significantly different from the risk for never-married recent applicants. Similarly, MFIP's financial incentives did not affect harsh parenting, supervision of children, or the likelihood of cohabitation for never-married recent applicants but did have significant impacts on many of these outcomes for separated or divorced recent applicants. The

Table 5.7

The Impacts of MFIP's Financial Incentives on Selected Family and Child Outcomes for Recent Applicants, by Marital Status at Baseline

Outcome	Separated or Divorced: MFIP Incentives Only	Separated or Divorced: AFDC	Separated or Divorced: Impacts (Difference)	Never Married: MFIP Incentives Only	Never Married: AFDC	Never Married: Impacts (Difference)	P-values for Variation of Impacts Across Subgroups
Direct Outcomes							
Average quarterly employment (%)	74.4	73.8	0.6	71.5	68.7	2.8	0.80
Average annual earnings ($)	6,861	8,497	-1,636	5,132	6,216	-1,084	0.71
Average annual welfare benefit ($)	4,509	3,296	1,213 ***	5,926	4,579	1,347 ***	0.85
Average annual income ($)	11,370	11,793	-423	11,058	10,796	262	0.61
Intermediate Outcomes							
Currently cohabiting (%)	18.3	8.9	9.4 *	18.4	13.3	5.0	0.64
HOME scale	79.3	79.7	-0.5	76.2	77.3	-1.1	0.73
Maternal depression scale	16.4	13.1	3.2 *	17.2	16.6	0.6	0.34
At high risk of clinical depression (%)	28.8	18.6	10.2	17.1	25.9	-8.8	0.08 *
Aggravation scale	1.8	1.7	0.2 *	1.8	1.8	0.0	0.21
Harsh-parenting scale	1.7	1.5	0.2 **	1.7	1.6	0.1	0.73
Frequency of harsh parenting	2.4	2.1	0.3 *	2.5	2.2	0.2	0.81
Supervision scale	4.5	4.7	-0.2	4.6	4.6	0.0	0.32
Child Outcomes							
Behavioral Problems Index	10.7	9.6	1.1	10.7	10.5	0.2	0.65
Positive Behavior Scale	192.8	200.5	-7.8	200.2	199.8	0.4	0.34
Performance in school	4.1	4.3	-0.2	4.0	4.3	-0.2	0.73
Engagement in school	9.9	10.4	-0.5 *	9.9	10.4	-0.5	0.98
Ever repeated a grade (%)	4.4	4.3	0.2	7.4	6.0	1.5	0.81
Sample size (total = 509)	158	166		97	88		

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

impacts on child outcomes are not as striking. Even though the children of separated or divorced recent applicants scored significantly lower on engagement in school, the magnitude of this impact is similar to its magnitude for children of never-married recent applicants.

Table 5.8 compares the impacts of MFIP's financial incentives on selected outcomes for a subgroup of recent applicants who either had earnings the year prior to random assignment or did not. Although these comparisons do not perfectly measure job loss or job instability, this is the subgroup most likely to capture such events. The effects of MFIP's financial incentives show a pattern similar to the pattern of effects for recent applicants who were divorced or separated at baseline.[13] For recent applicant families with prior earnings, MFIP's financial incentives decreased earnings more than they increased welfare income; the incentives increased harsh parenting and maternal depression, and children's homes were less likely to have cognitively stimulating items (such as a dictionary and radio) and were more likely to be unsafe. Although the sample sizes are small, the magnitude of these effects was not found for recent applicants who did not have any prior earnings. The children of recent applicants who had prior earnings scored significantly lower on the PBS and were significantly less engaged in school.

In summary, despite small sample sizes and less compelling differences in effects on child outcomes, Tables 5.7 and 5.8 provide some weak evidence that MFIP's financial incentives may have detrimentally affected recent applicants by prolonging welfare assistance for families who had recently experienced a crisis.

Conclusions. In contrast to its beneficial effects on children of long-term recipients, MFIP generally had no impact on children of recent applicants. MFIP's financial incentives produced different effects on employment and income for recent applicants and for long-term recipients. These impacts, in turn, may have differently affected parenting and other aspects of children's lives. In particular, MFIP's financial incentives detrimentally affected the academic functioning of recent applicants' children. These children experienced poorer home environments, both physically and in terms of the quality of parenting, compared with children in AFDC families. Some of the detrimental effects of MFIP's financial incentives were more pronounced for the subgroup of recent applicants who were divorced or separated at baseline and for the subgroup who had annual earnings prior to random assignment. One hypothesis to explain these effects is that MFIP's financial incentives prolonged welfare assistance yet provided little assistance in finding work to a group of single mothers who were not accustomed to being on welfare and were eager to work. Again, however, the impacts of MFIP's financial incentives must be interpreted with caution. The evidence in support of this hypothesis is somewhat weak, given the small sample sizes and the imprecision of the impact estimates for the Incentives Only group.

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[13] Note that these two subgroups are not mutually exclusive.

Table 5.8

The Impacts of MFIP's Financial Incentives on Selected Family and Child Outcomes for Recent Applicants, by Earnings History

	Had Prior Annual Earnings			Did Not Have Prior Annual Earnings			
Outcome	MFIP Incentives Only	AFDC	Impact (Difference)	MFIP Incentives Only	AFDC	Impact (Difference)	P-values for Variation of Impacts Across Subgroups
Direct Outcomes							
Average quarterly employment (%)	85.4	81.1	4.2	50.8	53.9	-3.1	0.43
Average annual earnings ($)	7,306	8,864	-1,558	3,693	4,525	-832	0.65
Average annual welfare benefit ($)	4,477	3,386	1,091 ***	5,841	4,398	1,443 **	0.62
Average annual income ($)	11,783	12,250	-467	9,534	8,924	610	0.46
Intermediate Outcomes							
Currently cohabiting (%)	18.0	13.9	4.2	21.9	5.8	16.2 ***	0.12
Maternal depression scale	17.2	12.9	4.4 ***	15.4	16.8	-1.3	0.04 **
At risk of clinical depression (%)	22.2	17.9	4.3	22.6	25.3	-2.7	0.52
HOME scale	78.2	78.8	-0.5	78.5	78.8	-0.3	0.92
Aggravation scale	1.8	1.7	0.1	1.8	1.8	0.1	0.78
Harsh-parenting scale	1.7	1.5	0.2 **	1.7	1.6	0.1	0.45
Frequency of harsh parenting	2.4	2.1	0.3 *	2.4	2.2	0.2	0.70
Supervision scale	4.6	4.7	-0.1	4.6	4.6	0.0	0.62
Child Outcomes							
Behavioral Problems Index	10.5	9.8	0.7	10.3	9.7	0.6	0.95
Positive Behavior Scale	193.0	201.6	-8.6 *	204.3	196.9	7.4	0.08 *
Performance in school	4.2	4.3	-0.1	4.0	4.3	-0.3	0.53
Engagement in school	10.0	10.5	-0.5 *	10.0	10.4	-0.3	0.78
Ever repeated a grade (%)	7.7	5.9	1.8	1.5	3.2	-1.7	0.35
Sample size (total = 517)	162	170		96	89		

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

Chapter 6

The Policy Implications of MFIP

This chapter places the Minnesota Family Investment Program's impacts on children and family well-being into a broader policy context. Section I begins by discussing MFIP's impacts on child outcomes in terms of effect sizes, which express impacts in standard deviations rather than in their original units. MFIP's effect sizes and a review of the empirical literature that links young children's outcomes with their future well-being are used as a guide in determining whether or not MFIP's impacts are of social importance. Section II compares the outcomes for control group children in this sample with outcomes for children in Minnesota and nationwide. To some extent, this section addresses whether or not the MFIP findings on children can be generalized; that is, if other populations of poor children fare similarly to children in the MFIP study, then an MFIP-type intervention may result in similar beneficial effects on child outcomes. Section III extends the discussion of MFIP's impacts on measures of family outcomes (depression, domestic abuse, and marriage) that are policy relevant independent of their implications on the well-being of children. The chapter ends with a brief discussion about lessons from MFIP that may inform future welfare and employment policies.

I. The Magnitude and "Importance" of MFIP's Impacts on Child Outcomes

As briefly discussed in Chapter 2, because most can relate to and understand a "dollar," it is quite straightforward to evaluate whether or not a $1,000 increase in income is large and whether or not it is policy relevant. Less clear, however, is the policy relevance of a 2-point change in a scale measuring children's behavioral problems or a 1-point change in average school performance. One reasonable and pragmatic approach to standardizing the child outcome measures to be in equivalent units is to convert these impact estimates into *effect sizes*, that is, to divide each impact by the standard deviation of the outcome for the control group. The magnitude of MFIP's impacts on child outcomes can then be assessed relative to each other as well as relative to other comparable intervention studies. Though effects sizes of 0.1, 0.3, and 0.5 can be considered small, medium, and large in nonexperimental studies (for example, see Lipsey, 1990), a review of experimental evaluations that are similar to MFIP, and therefore more relevant here, suggests that effect sizes on child outcomes of 0.1, 0.2, and 0.3 are small, medium, and large, respectively.

Table 6.1 presents MFIP's impacts and effect sizes on child outcomes for children of long-term recipients and recent applicants.[1] The effect sizes of MFIP's significant impacts on measures of child behavior and academic functioning for children of long-term recipients range from 0.1 to 0.2. Related to intervention studies comparable to MFIP, these effect sizes are small to medium in magnitude. Note that the effect sizes of MFIP's financial incentives' impacts on

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[1] Appendix F presents MFIP's impacts and effect sizes on selected direct outcomes, such as employment; and intermediate outcomes, such as child care; and child outcomes.

Table 6.1

Summary of MFIP's Impacts on Maternal Reports of Child Outcomes in Urban Counties, by Welfare Status

	Long-Term Recipients			Recent Applicants		
Outcome	AFDC Outcome	Impact of MFIP	Effect Size	AFDC Outcome	Impact of MFIP	Effect Size
Behavioral Problems Index	12.7	-1.5 *	0.14	9.8	1.0	0.13
Externalizing subscore	6.0	-0.9 **	0.17	4.4	0.5	0.15
Internalizing subscore	4.5	-0.3	0.09	3.9	0.2	0.06
Positive Behavior Scale	193.7	0.5	0.01	200.0	-3.2	0.10
Contacted by school about child's behavioral problems at school? (%)	34.6	-4.7	0.10	24.7	-2.2	0.05
Child's health rated by mother as very good or excellent (%)	77.8	-2.8	0.07	78.7	-1.4	0.04
Any child have accident/injury that required an emergency room visit? (%)	36.9	7.1 *	0.15	43.5	1.4	0.03
Performance in school	4.0	0.2 *	0.15	4.3	-0.1	0.11
Engagement in school	9.9	0.3 **	0.17	10.4	-0.2	0.13
Ever repeated a grade (%)	3.6	1.8	0.10	4.6	-2.6	0.13
Sample size (total = 1,104)	281			259		

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Effect size is calculated as the impact divided by the standard deviation of the outcome for the control group.

Sample sizes may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

child outcomes for children of long-term recipients are similar. However, the effect sizes of MFIP's financial incentives impacts on child outcomes for children of recent applicants are larger (see Appendix F).

Are the magnitudes of effect sizes shown in Table 6.1 important? In general, these effect sizes are modest but do approach a magnitude that may have important implications for the future well-being of these children. One weakness of assessing the importance of an impact based on effect size is that equal weight is given to each impact across all measures of child outcomes. It is possible, for example, that a "small" effect on measured behavioral problems will have a greater impact on the future well-being of a particular child than a "large" effect on that child's school performance. The little empirical research that explicitly links early child outcomes to future adult outcomes may be informative in determining which child outcomes are relatively more important for predicting the well-being of that child as an adult. Studies find that children's externalizing behavior problems (that is, conduct problems, antisocial behavior, and hyperactivity) are highly correlated with adolescent unemployment, academic achievement, and conduct problems (for example, see Caspi et al., 1998; Masten et al., 1995). Furthermore, these same studies suggest that children's externalizing behavior is more predictive of adolescent well-being than is their social competence, health, or academic achievement. Based on this literature, MFIP's effects on children's problem behavior, particularly externalizing behavior, may be of substantial importance, particularly for a population of children who may be most at risk of poor future outcomes.

The ideal method of evaluating the social significance of MFIP's effects on child outcomes is to actually follow these children over a long period of time and then assess whether or not there is any relationship between their early child outcomes and their later well-being. This type of long-term follow-up is being conducted on children in Milwaukee's New Hope Project, in the National Evaluation of Welfare-to-Work Strategies (NEWWS), and in the Canadian Self-Sufficiency Project (SSP).

In summary, MFIP's effects on child outcomes were modest. Yet some of these modest effects — particularly reductions in problem behavior — may have important implications for the future well-being of these children in terms of adolescent school achievement and high-risk behavior. These results, in turn, may have important implications for their future completed education and labor force participation. The effects on direct measures of child outcomes must be considered together with other important indicators of children's well-being. For example, MFIP's reduction in child poverty may have widespread effects on children's future well-being that are not easily understood or evaluated in this study.

II. Comparisons of Control Group Children with State and National Samples

How closely does the MFIP child study sample depict the lives and outcomes of children in other poor or welfare populations or even the lives and outcomes of a representative sample of children in Minnesota? How likely is it that the results of this study might be generalized to a broader population? This section presents a descriptive snapshot of the children of AFDC recent applicants and long-term recipients in the MFIP child study and compares them with poor children and all children in Minnesota and the United States. More specifically, using available on-line information from the National Survey of America's Families (NSAF), the section presents outcomes for Minnesota and national populations of families in general and of families whose incomes are less than 200 percent of the poverty level.[2]

The 1997 NSAF provides information about the economic, health, and social characteristics of children and their families in 13 states, including Minnesota, and of smaller samples from the balance of the states. These data include selective outcomes that can be constructed to be similar to outcomes used in this MFIP child study.[3] Outcomes were created to be comparable with the NSAF data. The first two are measures of child outcomes: the proportion of children with high levels of behavioral and emotional problems and the proportion of children highly engaged in school. The second two are measures of the proportion of children covered by public and private health insurance, respectively. The fifth outcome measures the proportion of children engaged in extracurricular activities. These five NSAF outcomes are relevant for children age 6 to 11. The sixth outcome is the only one in common that measures parenting: the proportion of children with a parent who felt highly aggravated. It is important to note that the NSAF outcomes are presented for children in single- and two-parent families and that the MFIP study outcomes are presented for children of single parents in urban counties. Details about the construction of these variables are given in the following table's footnotes.

Table 6.2 presents the descriptive statistics comparing outcomes in this MFIP study sample (urban counties) and outcomes in the NSAF sample. Nearly 15 percent of children age 5 to 12 of AFDC long-term recipients and 5 percent of children of AFDC recent applicants in this MFIP study had high levels of behavioral and emotional problems. Similar percentages of poor children age 6 to 11 in Minnesota and nationwide had high levels of such problems, but much smaller proportions (6 to 7 percent) of all children in Minnesota and nationwide had high levels. Almost 43 percent of children age 5 to 12 of AFDC long-term recipients and 56 percent of children of AFDC recent applicants in this MFIP study were highly engaged in school. In contrast, only about 40 percent of children age 6 to 11 in the poor and total populations of Minnesota and the United States were highly engaged in school. On somewhat comparable measures of child and family well-being, children in the MFIP study seem to have done as well as, if not better than, low-income children in Minnesota and nationwide, and on many measures their outcomes were comparable to representative samples of all children in Minnesota and the United States.

Compared with poor children and with representative samples of children in Minnesota and nationwide, children of AFDC long-term recipients and of recent applicants in this MFIP study were more likely to be covered by public health insurance, less likely to be covered by private health insurance, and less likely to engage in extracurricular activities. Fewer of them lived with a parent who felt highly aggravated, compared with poor children and with all children in Minnesota and the United States. However, the children of AFDC long-term recipients in this MFIP study

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[2] These comparison populations were chosen because the information was readily available on-line as of March 2000.

[3] The comparability of items in this child study and the NSAF is not accidental; it was facilitated by Child Trends, which played a role in identifying measures to be included in surveys for both the Project on State-Level Child Outcomes and the NSAF.

Table 6.2

Selected Characteristics of Long-Term Recipients and Recent Applicants in the MFIP Study and of Families in the National Survey of America's Families

			NSAF, Less Than 200% of Poverty		NSAF, All Incomes	
Outcome (%)	AFDC Long-Term Recipients	AFDC Recent Applicants	Minnesota	United States	Minnesota	United States
Children with high levels of behavioral and emotional problems[a]	14.5	4.8	10.2	9.6	6.8	6.5
Children highly engaged in school[b]	43.1	55.9	37.9	38.2	41.2	43.3
Children covered by public health insurance	67.6	43.2	40.6	39.0	14.5	19.5
Children covered by private health insurance	23.9	42.2	46.8	39.7	80.0	68.6
Children who participated in extracurricular activities	53.9	57.9	72.1	72.5	85.6	82.7
Children living with a parent who felt highly aggravated[c]	7.0	3.4	11.8	13.7	6.6	9.0

SOURCES: MDRC calculations using data from the 36-month client survey. Urban Institute calculations from "Snapshots of American Families," National Survey of America's Families, 1997; http://newfederalism.urban.org.

NOTES: The sample from the 36-month client survey includes members randomly assigned from April 1, 1994, to October 31, 1994, excluding the small percentage who were receiving or applying for only Food Stamps at random assignment.

[a] The NSAF collected six items for this variable with scores which range from 6 to 18, with 12 or less measuring "greater behavioral and emotional problems." These outcomes are for children aged 6 to 11. The equivalent measure using the MFIP 36-month survey data is created from five of the six NSAF items and ranges from 5 to 15, with 10 or less measuring "greater behavioral and emotional problems."

[b] The measure created with the NSAF ranges from 4 to 16, with 15 or greater indicating "highly engaged." These outcomes are for children aged 6 to 11. The measure created with the MFIP 36-month survey data ranges from 3 to 12, with 11 or greater meaning "highly engaged."

[c] This outcome is created from the sum of four items. The mother was asked if she felt the child is hard to care for, the child does things that bother her, she felt like she is giving up her life for her child, or she felt angry with her child. The range of the sum is 1 to 16. Being highly aggravated is defined as 11 or higher. These outcomes are for children aged 6 to 11. The equivalent measure using the MFIP 36-month survey data is created by subtracting the outcome "feeling less aggravated " from 100.

were slightly more likely to have lived with a parent who felt highly aggravated than were the sample of children of all incomes in Minnesota — 7.0 percent compared with 6.6 percent.

On a number of measures, then — including behavior, school engagement, and parenting — appears that the children in AFDC families in this MFIP study (in urban counties) fared about as well as, if not better than, poor and total populations of children in Minnesota and nationwide. These descriptive statistics also suggest that findings in this MFIP study of child outcomes may generalize to broader populations of poor families, assuming that any such intervention generates similar patterns of employment behavior for single mothers.

III. The Policy Relevance of MFIP's Effects on Depression, Domestic Abuse, and Marriage for Long-Term Recipients

Chapters 3 and 4 showed that MFIP, and especially its financial incentives, significantly decreased maternal depression and domestic abuse and increased marriage among long-term recipients who had children age 2 to 9 at random assignment. The discussion in these chapters focused primarily on the implications of these impacts for children's well-being. This section discusses the implications of reduced depression and domestic abuse and increased marriage for improving the lives of single mothers themselves, independent of their effects on children's well-being. Illustrative questions for further research are also highlighted.

Depression. Estimates based on national surveys suggest that the prevalence of mental health illness among the poor and welfare recipients range from 2 to 13 percent (see Olson and Pavetti, 1996). Estimates of mental health illness in state welfare studies are much higher, ranging from 20 to 40 percent. In this study, approximately 30 percent of the AFDC population reported symptoms that place them at high risk of clinical depression. Given these estimates, an 8 percentage point reduction in the risk of clinical depression, or a 26 percent decrease compared with the control group, seems important. Some studies have found that more depressed individuals and welfare recipients who have had a bout of depression are less likely to be employed (Danziger et al., 1999; Wells et al., 1998). Recent results from experimental welfare and employment programs suggest that depression does not affect program impacts on employment but may affect program impacts on earnings (Michalopolous and Schwartz, 2000). Thus, there is evidence, based on other studies, that services designed to help welfare recipients overcome depression may assist them in becoming self-sufficient.

Some illustrative questions for further research include: How do reductions in depression affect the employment behavior — job retention or employment stability — of welfare recipients? Do reductions in depression play a role in helping welfare recipients achieve self-sufficiency? What is the link between depression and domestic abuse?

Domestic Abuse. MFIP significantly reduced the likelihood of long-term recipients' experiencing any type of domestic abuse, either from intimate partners or others. State and national estimates suggest that approximately 20 percent of the welfare population currently experiences domestic violence (for example, see Johnson and Meckstroth, 1998; Raphael and Tolman, 1997). Long-term recipients in MFIP were nearly 10 percentage points less likely to report ever having been abused during the 36-month follow-up period — a 17 percent decrease from the control group.

These findings are policy relevant for a number of reasons. First, domestic abuse, like depression, is directly harmful to single mothers; any public policy that reduces the incidence of domestic abuse merits attention. Second, domestically abused women suffer from other factors that contribute to their inability to enter employment and, more important, their inability to remain employed and self-sufficient. Some of these factors are indirect, such as the effects of abuse on their emotional and physical health and its relationship to drug or alcohol use, which subsequently interferes with employment. Other factors are direct, such as being prevented by an abusive partner from pursuing education, work, or training (Hershey and Pavetti, 1997; Raphael and Tolman, 1997). Third, the MFIP survey was one of the first to collect data about life circumstances and domestic abuse via the Audio-CASI interview method (described in Chapter 2). This mode of data collection was a success and should be used in future efforts to collect sensitive personal information, significantly contributing to the relatively small body of knowledge in these areas.

Some illustrative questions for further research include: How does domestic abuse affect welfare recipients' employment behavior? What relationships exist between the abuser and the abused, the type of abuse suffered, and being able to get or maintain a job? How did MFIP, and especially its financial incentives, decrease the incidence of domestic abuse?

Marriage. MFIP increased marriage among long-term recipients There is little evidence to suggest that marriage was a vehicle either for exiting welfare or, in the case of MFIP, for avoiding the participation mandate. In addition, as examined in Volume 1, MFIP increased marriage among all single-parent long-term recipients and increased marital stability among two-parent long-term recipient families (Miller et al., 2000). Thus, MFIP's streamlined eligibility for two-parent families may play some part in encouraging marriage.

Chapter 4 hypothesized that the increased income and other aspects of MFIP's financial incentives encouraged long-term recipients to formalize current relationships or generate new relationships. A qualitative study of 300 low-income women in Charleston, Chicago, and Camden provides some evidence regarding why greater income or greater economic stability may have increased marriage and improved the well-being of single mothers (Edin, 1999). Interviewed women expressed concern about losing control over family finances because "men take over the money." In addition, "white mothers were often shocked by how vulnerable their withdrawal from the labor market had made them. It was after learning these hard lessons that most white mothers developed the conviction that is was foolish to marry unless they had 'established themselves' first" (pp. 18-19). For these women, economic independence increased their bargaining power in the household. Having more leverage within the family, and greater security should the marriage dissolve, makes marriage more appealing to them. Two benefits of marriage that likely became more apparent to these mothers are the reduced financial responsibility for fulfilling their family's basic needs and the opportunity to share parenting and household activities.

Some illustrative questions for further research include: How did MFIP increase marriage and marital stability? Did MFIP's effects on marriage vary by different characteristics of the family, such as race/ethnicity, the number of children, and the ages of parents and children? What relationships exist among income, employment, and marriage?

IV. Lessons from MFIP About Welfare Reform

The goals of the Minnesota Family Investment Program were to encourage work, reduce dependence on public assistance, and reduce poverty. Child poverty was among the issues of greatest concern that policymakers aimed to address through MFIP. The MFIP findings bolster the long-standing literature that has associated poverty with worse outcomes for children — by confirming, in a rigorous experiment, that incremental increases in income for working-poor parents bring short-term benefits to children. From the perspective of welfare and employment policy reforms, the MFIP findings suggest as well that policies to enhance employment should also aim to enhance income, because MFIP's income increases were crucial in improving multiple aspects of family and child well-being. It is important to remember, however, that the strength of MFIP's results depends on the applicability and validity of mothers' reports about their own and their children's well-being; furthermore, the well-being of infants, toddlers, and adolescents has not been adequately assessed. Nonetheless, these findings should be incorporated into policymakers' understanding of the effects of welfare reform, income, and employment on low-income children — along with information from other evaluations about the effects on children of other welfare and employment programs.

A number of policy lessons emerge from the MFIP study concerning children and families:

- **MFIP's approach — increasing employment while ensuring that income also increases — does not jeopardize family and child well-being. In fact, policies that combine financial incentives with participation requirements lead to beneficial effects for some groups of families.**

The full MFIP program generally had beneficial effects on families and children. According to maternal reports, children's problem behaviors were reduced, and their academic functioning improved. Mothers were more likely to marry and were less likely to experience domestic abuse. Based on these findings, increased employment and increased income do not have to come at the cost of jeopardizing the well-being of mothers and children.

- **Enhanced financial incentives are an important tool for increasing income and for improving the general well-being of families and children who are long-term welfare recipients. The importance and magnitude of improving family and child well-being must be weighed against the higher cost associated with offering financial incentives.**

MFIP added from about $1,700 to $2,300 per year to government costs per family (see Volume 1 [Miller et al., 2000]). Single-parent long-term recipients in the MFIP group were, on average, about $1,900 better off per year than their AFDC counterparts and also experienced a number of important nonfinancial improvements in their lives. The two largest sources of financial gains were increased welfare benefits and increased earnings and associated fringe benefits. Also important were increased Medicaid payments for working families, increased EIC and Minnesota WFC payments, and increased child care payments.

Although MFIP was more costly than the typical work-first program, each dollar spent by taxpayers resulted in an equivalent gain to families as well as a set of nonfinancial gains that these dollar values do not capture. Allowing long-term welfare recipients to retain more of their welfare benefits as their earnings increase may be one effective tool for improving the general well-being of single mothers and their children. The impacts of MFIP's financial incentives on maternal depression, domestic abuse, and marriage are particularly noteworthy, not only because of their potential ripple effects on the well-being of children but also because of their independent effects in improving the lives of single mothers. MFIP's results generally indicate that increasing income for working-poor single-mother families is beneficial; the results also may provide some evidence about the benefits of providing similar supplements, such as the Earned Income Credit (EIC), to working families.

- **Financial incentives may have adverse effects for new applicants to public assistance or for families who rely on public assistance during a time of personal crisis.**

For single mothers who were new applicants to or short-term recipients of welfare, MFIP's financial incentives prolonged welfare assistance and encouraged work while providing little assistance in finding work. This had the results of increasing maternal depression, reducing the quality of parenting, and negatively affecting children's academic functioning. Many single mothers who have experienced a divorce or separation or a job loss rely on public assistance during a time of personal crisis. Although the results of the MFIP evaluation might suggest that it would be beneficial to require welfare recipients to participate in mandatory services soon after first receiving welfare, the study was not designed to test this approach.

- **The mandate to participate in employment-related services generally had neither harmful nor beneficial effects on children of long-term recipients.**

Although MFIP was not designed to test the sole effect of requiring participation in employment-related services, the effects of adding mandatory services to financial incentives were inferred by comparing the effects on the MFIP group with the effects on the Incentives Only group. It is noteworthy that the increased employment demands arising from MFIP's participation mandate — which were not accompanied by increased income — generally led to neither harmful nor beneficial effects on children.

- **The effects of MFIP may provide a starting point for predicting the likely effects of Minnesota's current statewide welfare program, MFIP-S.**

It seems reasonable to expect that the original MFIP and the new MFIP-S will produce roughly similar effects under similar circumstances, at least until the five-year time limit begins to directly affect the welfare caseload. At the same time, however, changes in the statewide version of the program should be taken into account when applying these results to the statewide program. Some of the major changes, such as the somewhat lower earnings threshold for leaving welfare, might reduce MFIP's income-enhancing effects, while other changes, such as the mandate to participate immediately, might increase MFIP's income-enhancing effects by moving people into employment more quickly.

Appendix A

Major Differences in Rules Under the AFDC System and MFIP

Table A.1

Major Differences in Rules for Financial Assistance, Administration of Benefits, and Employment and Training Programs Under the AFDC System and MFIP

Program Dimension	AFDC System[a]	MFIP
Eligibility		
Income requirements	AFDC and Food Stamps both had gross and net income requirements that households must have met in order to be eligible for benefits.	Net income requirement only.
Asset limits	AFDC asset limit of $1,000, with $1,500 exemption for one vehicle. Food Stamp asset limit of $2,000, with exemption for one vehicle with a value of up to $4,500.	Asset limit of $2,000, with exemption for vehicles with a combined equity value of up to $4,500.
Who was included in the assistance unit	Stepparents, relatives, and others living with the applicant family were not considered part of the household by AFDC, but their income may have been counted in determining Food Stamp eligibility and benefit levels.	Some individuals, such as stepparents and parents of minor parents, could decide whether to be included in the MFIP household. If they decided not to be, they were not eligible to receive Food Stamps separately. Other relatives were not included in determining eligibility or benefit levels, but may have received Food Stamps separately.
Work history requirements and work limits for two-parent families	To have been eligible for AFDC, one parent must either have been incapacitated or reported a recent work history, and worked less than 100 hours per month. Minnesota's Family General Assistance (FGA) program did not have these requirements.	No such requirements.
Financial assistance		
Grant calculation when a recipient has earned income	AFDC grant calculation excluded $120 and one-third of any remaining monthly earnings during the first 4 months of work; $120 during the next 8 months; $90 per month thereafter. Food Stamp grant calculation excluded 70 percent of net income. Net income included the AFDC grant but excluded 20 percent of gross earnings, a $131 standard deduction, and up to $207 of excess shelter expenses.[b]	If there was no earned income, the maximum grant equaled the combined value of AFDC and Food Stamps. If there was earned income, benefits equaled the maximum grant increased by 20 percent, minus net income. (net income excluded 38 percent of gross earnings) However, benefits could not exceed the maximum grant level.

(continued)

Table A.1 (continued)

Program Dimension	AFDC System[a]	MFIP
Child care assistance for working parents	Child care reimbursed up to $175 ($200 for children under age 2) as part of AFDC grant, with additional costs reimbursed separately up to county maximum rate.	Child care paid directly to child care provider, up to county maximum rate.
Transitional child care and Medicaid	AFDC transitional benefits were available for the first 12 months after a registrant left welfare for work. Sliding-fee child care was available subsequently.	Same as AFDC.
Penalty for noncompliance with required activities	Noncompliant parent was removed from grant.	Grant was reduced by 10 percent.
Administration of benefits[c]		
Number of public assistance programs	Three separate programs: AFDC, Food Stamps, and FGA.	One program consolidated and replaced AFDC, Food Stamps, and FGA.
Rules for use of Food Stamp benefits	Federal Food Stamp rules applied.	Food Stamps incorporated into MFIP cash grant without Food Stamp restrictions on purchases, unless Food Stamps requested by the recipient.
Employment and training programs[d]		
Mandatory activities		
Single-parent families	Mandatory orientation to STRIDE (Minnesota's JOBS program) for AFDC applicants in a STRIDE target group, except those with children under age 3.	Mandatory participation in MFIP employment and training services for single parents with no children under age 1, who had received welfare for more than 2 years.
Two-parent families	Mandatory orientation and participation in job search and the Community Work Experience Program by primary wage-earner. Second parent could volunteer for STRIDE.	Mandatory participation in MFIP employment and training services by one parent if family had received welfare for more than 6 months.

(continued)

Table A.1 (continued)

Program Dimension	AFDC System[a]	MFIP
Parents under age 20	Mandatory participation in an education activity for those who had not completed high school or earned a General Educational Development (GED) certificate.	Same as AFDC.
Target groups for voluntary activities	Those in the following target groups could volunteer for STRIDE: single parents who had received aid for 36 of the past 60 months; were custodial parents under age 24 without a high school diploma or the equivalent, or had limited work experience;[e] or were within 2 years of becoming ineligible for aid because the youngest child was age 16 or older.	After July 1995, MFIP sample members who had been receiving welfare for less than 24 months were allowed to volunteer for MFIP services. The number who could volunteer was capped at 10 percent of the MFIP caseload for each case management agency.
Support services	Child care, transportation, and work-related expenses were covered for STRIDE participants. Child care was not available for social services required to remove barriers to employment.	Child care, transportation, and work-related expenses were covered for MFIP employment and training participants. Child care was available for social services required to remove barriers to employment, such as attendance at chemical dependency counseling.

SOURCES: AFDC and MFIP planning documents and eligibility manuals.

NOTES: [a]The term "AFDC system" is used throughout this report to represent the range of programs MFIP was designed to replace, including not only AFDC but also Food Stamps; the Family General Assistance (FGA) program; and Minnesota's JOBS program, STRIDE. The rules shown above are primarily related to AFDC, except where otherwise noted.

[b]These calculation standards were in effect in 1994.

[c]For both AFDC and MFIP group members, Electronic Benefits Transfer was implemented for cash and Food Stamps during the evaluation period (in late 1994 in Hennepin, late 1997 in Anoka and Dakota, and mid-1998 in rural counties).

[d]Employment and training rules described for the "AFDC system" are the rules for AFDC recipients. They do not apply to those receiving only FGA or Food Stamps.

[e]Limited work experience is defined as fewer than 6 months of full-time employment within the past 12 months.

Appendix B

MFIP 36-Month Survey Response Analysis

This appendix assesses the extent to which the survey sample is representative of the total sample. It also examines the baseline comparability between research groups to ensure that impacts based on the survey sample are unbiased.

The discussion begins with a review of sample sizes and response rates for each of the research subgroups discussed in the report. Two tests determine the generalizability of the survey sample to the full sample. The first test compares the baseline characteristics of respondents and nonrespondents. The second compares four critical outcomes for respondents and the full sample using administrative records available for all sample members. Finally, to assess the validity of the impact estimates, the baseline characteristics of respondents from each of the research groups are compared to ensure that survey response decisions have not undermined the baseline equivalence of those groups.

I. Sample Sizes and Response Rates

As discussed in Chapter 2, the 36-month survey was administered to 2,639 women with children between the ages of 5 and 12. Of the 2,639 women in the *full sample*, 2,131 are *respondents*, and 508 are *nonrespondents*. This appendix assesses the extent of representativeness between the respondent sample and the full sample.[1]

Table B.1 shows the response rates for each of the research groups discussed in this report. Response rates are reasonably high for all of them — close to 80 percent for five of the six research groups. Response rates in this range for samples of this size support generalizations from survey responses to the full sample. They suggest that the survey has captured the experiences of enough people within each research group to offer a fair and accurate representation not only of those who responded but also of those who did not.

Response rates should also be similar across research groups, because comparisons between a representative sample of one group and a less representative sample of another may yield biased estimates of program impacts. Among the research groups compared in this evaluation, the only significant response differences are those between recent applicants of the AFDC group and the MFIP group. Recent applicants in the AFDC group were slightly less likely to respond (71.7 percent) than their counterparts in the MFIP group (77.4 percent). Section IV of this appendix discusses the implications of this difference for estimating program impacts.

II. A Comparison of Respondents and Nonrespondents

To assess whether respondents differ from nonrespondents, an indicator of survey response status was regressed on the following pre-random assignment demographic characteristics: incidence and duration of past public assistance receipt, current receipt status, age, county, race/ethnicity, employment status and work history, gender, marital status, education, number and age of children, quarter of random assignment, and amounts of earnings and assistance received in the prior year.

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[1] As explained in Chapter 2, additional sample criteria concerning the age and residence of the focal child further restricted the *report sample* to 1,900 of the original 2,131 respondents. Analyses not shown indicate that compared with report sample members, disqualified respondents had more or older children and were more likely to be employed in the year prior to random assignment. The difference with respect to the ages of the children is expected, given that most of the disqualified respondents had children outside the age range of 5-12.

Table B.2 reports the overall significance of the relationship between the full set of baseline characteristics and the probability of survey response. The F-statistic can be interpreted as an indication of whether the differences in baseline characteristics between respondents and nonrespondents are statistically significant. As expected, significant but modest differences were found between respondents and nonrespondents. These types of differences — between individuals who can be located and who agree to respond to the survey and those who cannot be located or do not respond — are common to survey research. For example, among long-term recipients, respondents had younger children than nonrespondents. They were more likely to have received assistance or to have been employed in the year prior to random assignment. Long-term recipients from the MFIP group were also slightly more likely to respond than members of the other research groups. Among recent applicants, those with recent employment or a longer history of welfare receipt were the most likely to respond. Although significant, variables included in the model explain less than 5 percent of the variation in individual response behavior for long-term recipients and for recent applicants.

III. Comparisons of Impacts for the Respondent Sample and the Full Sample

Although respondents differ from nonrespondents, the relatively high response rates suggest that findings for the survey sample can be generalized to the full sample. One way to examine this is to compare impacts for the respondent sample and the full sample using administrative records data available for all sample members. Table B.3 compares regression-adjusted impacts for the respondent sample and the full sample. If impacts are similar for both samples, it seems reasonable to trust that impacts measured using the survey data are also relevant to the full sample.

The impacts for the two groups are fairly consistent, suggesting that impacts for the survey sample often apply to the full sample. This is especially true of estimates judged statistically significant (p-value < 0.10) in either sample. All but two of the estimates judged statistically significant for the full sample are also significant for the survey sample. All but one of the estimates judged significant for the respondent sample are also significant for the full sample. Impacts are more consistent for long-term recipients than for recent applicants — which is expected, given the higher response rates among long-term recipients. The most consistent program impacts are those comparing the MFIP and AFDC groups. Although based on smaller samples, impacts using the MFIP Incentives Only group are fairly consistent, but less so than impacts using the MFIP group.

IV. Assessing the Comparability of the Research Groups Within the Survey Sample

To ensure that survey response decisions have not undermined the baseline equivalence among research groups, an indicator of research group status was regressed on the following prerandom assignment demographic characteristics: incidence and duration of past public assistance receipt, current receipt status, age, county, race/ethnicity, employment status and work history, gender, marital status, education, number and age of children, quarter of random assignment, and amounts of earnings and assistance received in the prior year. Table B.4 reports the F-statistics and associated p-values indicating the strength of baseline differences among members of different research groups. Among long-term recipients, the three research groups are quite similar in all pre-random assignment demographic characteristics. None of the F-statistics is statistically significant. Among recent applicants, MFIP and AFDC respondents are also comparable.

With a smaller sample of recent applicant respondents, comparisons involving the MFIP Incentives Only group do evidence significant but modest baseline differences. The pattern of coefficients is somewhat inconsistent in terms of indicating whether the Incentives Only group is more or less disadvantaged than the AFDC group. Most of the differences, although statistically significant, are small in magnitude. To control for these differences, all the impacts presented in this report were regression-adjusted. Covariates included in all impact models control for the following pre-random assignment differences: incidence and duration of past public assistance receipt, current receipt status, age, county, race/ethnicity, employment status and work history, gender, marital status, education, number and age of children, quarter of random assignment, and amounts of earnings and assistance received in the prior year.

Taken together, the assessments presented in this appendix indicate that the survey respondent sample is reliably representative of the full sample. Response rates are consistently high across research groups, and administrative records impacts available for all sample members evidence consistent employment, earnings, and public assistance outcomes for respondents and full sample members. Among those who responded to the survey, there are few significant differences by research group status. All impacts were regression-adjusted to control for any differences.

Table B.1

Survey Response Rates for Research Groups of the MFIP Child Sample

	MFIP	MFIP Incentives Only	AFDC
Single-parent, urban, long-term recipients	83.0	83.6	79.0
Single-parent, urban, recent applicants	77.4 *	77.3	71.7

Sample sizes	
Long-term recipients	
Respondents	965
Nonrespondents	214
Total	1,179
Recent applicants	
Respondents	715
Nonrespondents	238
Total	953

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a focal child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A t-test is applied to each difference in response rates between research groups. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

The only significant difference is that between the MFIP and AFDC groups.

Table B.2

Significance of the Relationship Between Baseline Characteristics and Survey Response

	F-Statistic	p-Value of F-Statistic
Long-term recipients	2.570	0.000 ***
Recent applicants	1.481	0.041 **

Sample sizes	
Long-term recipients	
Respondents	965
Nonrespondents	214
Recent applicants	
Respondents	715
Nonrespondents	238

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a focal child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

The F-statistic is taken from a regression of response status on a range of baseline characteristics.

Table B.3

Comparison of Four Critical Impacts for the Full Sample and the Respondent Sample

	Fielded Sample			Respondent Sample		
Outcome	MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only	MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Long-term recipients						
Average quarterly employment rate (%)						
Adjusted impacts	14.3	8.8	5.6	15.0	9.7	5.3
p-value	0.000	0.001	0.027	0.000	0.000	0.050
Average annual earnings ($)						
Adjusted impacts	679	-55	734	654	199	455
p-value	0.050	0.876	0.035	0.082	0.601	0.220
Average quarterly receipt rate (%)						
Adjusted impacts	4.3	5.5	-1.2	3.6	3.4	0.3
p-value	0.013	0.002	0.484	0.038	0.058	0.871
Average annual benefit ($)						
Adjusted impacts	503	1,090	-588	513	1,023	-510
p-value	0.021	0.000	0.007	0.028	0.000	0.027
Recent applicants						
Average quarterly employment rate (%)						
Adjusted impacts	1.9	0.9	0.9	4.9	3.1	1.8
p-value	0.469	0.769	0.768	0.098	0.384	0.618
Average annual earnings ($)						
Adjusted impacts	-663	-1,144	481	-178	-643	466
p-value	0.153	0.045	0.399	0.749	0.340	0.486
Average quarterly receipt rate (%)						
Adjusted impacts	5.7	7.3	-1.7	6.0	6.4	-0.5
p-value	0.025	0.018	0.585	0.033	0.059	0.895
Average annual benefit ($)						
Adjusted impacts	825	1,178	-352	821	1,062	-241
p-value	0.000	0.000	0.205	0.002	0.001	0.444

(continued)

Table B.3 (continued)

Sample Sizes	Fielded Sample	Respondent Sample
Long-term recipients		
MFIP	400	332
MFIP Incentives Only	389	325
AFDC	390	308
Recent applicants		
MFIP	371	287
MFIP Incentives Only	194	150
AFDC	388	278

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records, public assistance benefit records, and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a focal child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

Sample size may slightly vary for each outcome variable.

Table B.4

Baseline Differences Among Respondents, by Research Group

	MFIP vs. AFDC	MFIP Incentives Only vs. AFDC	MFIP vs. MFIP Incentives Only
Long-term recipients			
F-statistic	1.017	0.827	0.862
P-value of F-statistic	0.443	0.735	0.684
Recent applicants			
F-statistic	0.932	1.426	1.269
P-value of F-statistic	0.566	0.080 *	0.169
Sample Sizes			
Long-term recipients			
MFIP	332		
MFIP Incentives Only	325		
AFDC	308		
Recent applicants			
MFIP	287		
MFIP Incentives Only	150		
AFDC	278		

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a focal child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

The F-statistic is taken from a regression of research group status on a range of baseline characteristics.

Appendix C

Details About the Construction of Child and Family Outcomes

This appendix provides a detailed description of the construction of the outcomes analyzed throughout this report. It includes brief descriptions of what the outcome measures are, the exact coding of each outcome, and in the case of scales, the psychometric information.

Items used to construct outcomes came from two sources, the child survey and the core survey. Most outcomes are constructed for the focal child and are based on the responses of the mother. Several outcomes (such as skipping meals, health insurance coverage, safety of the neighborhood, and emergency room visits) are constructed for all children in the family. Many sections of the child survey were administered by the Audio-Computer Assisted Self-Interview (Audio-CASI) method, wherein the respondent listened to the question over headphones and then responded via a computer (Gallup-Black, 1999). Prior to starting these sections of the survey, respondents were given a practice test to acclimate themselves with the process. As discussed in Chapter 2, a portion of the sample did not complete the Audio-CASI sections; those items are denoted below by an asterisk (*). Possible ranges for each outcome are referred to in the text of this appendix. Table C.5, at the end of this appendix, presents the actual ranges of continuous outcomes.

Some outcomes in this study were specifically constructed to be comparable with the studies in the Project on State-Level Child Outcomes. These "comparable" outcomes are noted in the text of this appendix and in the tables.

I. Economic Resources

A. Material Hardship

Financial Strain. A scale was created to evaluate financial strain from four items, including "My financial situation is better than it's been in a long time" and "I worry about having enough money in the future." Scales were computed only for those observations having three or more of the total items in the scale.

Respondents answered on a 4-point scale where 1 is equal to "strongly agree," 2 is equal to "agree somewhat," 3 is equal to "disagree somewhat," and 4 is equal to "strongly disagree." The outcome constructed is the mean of the four items, where a higher score indicates greater financial security. To make the scale consistent, two items were reverse-coded. The Cronbach coefficient alpha for this scale is .69.

Material Hardship. A scale was created to evaluate material hardship from seven items, including the ability to pay rent and electricity bills, being evicted, having telephone service disconnected, and needing to visit a doctor or dentist but being unable to do so in the past 12 months. The scale was computed only for those observations missing less than 25 percent of the total items in the scale. If the scale had at least 75 percent of the items, imputed means were used for the missing values.

The items equal 0 for "no" and 1 for "yes." The outcome constructed is the sum of the seven items, where a higher score indicates greater material hardship. The Cronbach coefficient alpha for this scale is .62.

Home Ownership. An outcome, created from the following item, captures the percentage of respondents who owned their own home.

> *Do you own your home?*

Public Housing. An outcome, created from the following item, captures the percentage of those respondents who lived in public or subsidized housing.

> *Do you live in public housing, that is, housing owned or operated by a local housing authority or other government agency?*

Other Housing. An outcome was created capturing the percentage of respondents who neither owned their own home nor lived in subsidized housing, if the respondent answered "no" to home ownership and to living in public housing.

B. Food Security

Having Enough to Eat. An outcome, created from the following item, captures the percentage of families who had enough to eat in the last month.

> *Which of these statements best described the food eaten in the prior month?*

Respondents answered on a 4-point scale where 1 is equal to "enough of the kinds of food we want," 2 is equal to "enough but not always the kinds of food we want to eat," 3 is equal to "sometimes not enough to eat," and 4 is equal to "often not enough to eat." A response of 1 or 2 was coded as 100; otherwise, the response was coded as 0.

Skipping Meals. An outcome — created from the item above describing food eaten in the prior month and from the following item — captures the percentage of families in which the children were forced to skip a meal because there was not enough money for food.

> *In the prior month, did your children ever skip a meal because there wasn't enough money for food?*

The item equals 1 if "yes" and 2 if "no."

A response of 1 to this item was coded "100." A response of 2 to this item or a response of 1 or 2 to food eaten in the prior month was coded "0."

C. Health Insurance

No Health Insurance. An outcome, created from the following item, captures the percentage of children who were covered by health insurance at all times since random assignment.

> *Since random assignment, have there been any periods of time when a child of yours living in this household did not have medical coverage, including Medicaid or MinnCare?*

Medicaid. An outcome was created based on the following two items that captures the percentage of households in which children were covered by Medicaid or MinnCare.

> *In the prior month, were you or your children covered by Medicaid or MinnCare, or enrolled in an HMO paid for you by Medicaid?*

The item equals 1 if answered "yes" and 2 if answered "no."

> *Who was covered in the prior month?*

The item is answered "yes" or "no" for respondent, spouse/partner, and children.

Children are considered to be covered if the first item equals 1 and the second item is answered "yes" for children.

Private Insurance. An outcome was created based on the following two items that captures the percentage of households in which children were covered by private insurance.

> *In the prior month, were you or your children covered by health insurance other than Medicaid or MinnCare, such as privâte insurance, an employer-paid plan, or a private HMO?*

The item equals 1 if answered "yes" and 2 if answered "no."

> *Who was covered by other health insurance?*

The item is answered "yes" or "no" for respondent, spouse/partner, and children.

Children are considered to be covered if the first item equals 1 and the second item is answered "yes" for children.

II. Child Care

A. Types of Child Care

All respondents were asked about different types of child care used for any reason at least once a week for a month or more since random assignment. Four outcomes were created based on this item.

Informal Child Care. An outcome was created to capture the percentage of children who were in informal child care, which includes care by the child's father, the child's siblings, the child's grandparents, any other relative, the spouse or partner of the mother, or a baby-sitter not related to the child.

Formal Child Care. An outcome was created to capture the percentage of children who were in formal child care, which includes care in a daycare or group center; a summer daycare or summer sleep-away camp or summer-school classes; an extended daycare program sponsored by a school, church, or other organization; or boys' or girls' clubs, the YMCA/YWCA, and lessons or activities.

Never Used Formal/Informal Child Care. An outcome was created capturing the percentage of those respondents who never used formal or informal child care. These respondents skipped the rest of the child care section of the survey; thus, they did not answer the questions pertaining to the child care calendar, hours that the child spent in care in the last week, and the quality of the primary child care arrangement.

Self-Care. An outcome was created for those respondents who answered that their children took care of themselves (self-care).

Note that formal care, informal care, and self-care are not mutually exclusive. That is, it is possible for a respondent to have used more than one type of care once a week for a month or more since random assignment, and the types of care used could have fallen into any of the categories. However, as noted above, if the only type of care used was self-care, the respondent skipped the rest of the child care section of the survey.

B. Out-of-School Activities

Extended Day Program. An outcome was created to capture the percentage of those who used an extended day program sponsored by a school, church, or other organization once a week for a month or more since random assignment.

Lesson, Clubs, or Activities. An outcome was created to capture the percentage of those whose children participated in a boys' or girls' club, the YMCA/YWCA, lessons, or activities once a week for a month or more since random assignment.

Extracurricular Activities. An outcome was created to capture the percentage of those whose children participated in extracurricular activities since random assignment, based on a "yes" answer about the focal child to any of the following three items.

> *Are any of your children on a sports team either in or out of school?*
>
> *Do any of your children take lessons after school or on weekends in subjects like music, dance, language, or computers?*
>
> *Do any of your children participate in any clubs or organizations after school, or on weekends, such as scouts, a religious group, or a girls' or boys' club?*

C. Child Care in Week Prior to Interview

Respondents were asked about the type of child care used during the last full week prior to the interview and the number of hours the child spent in care during the last full week. Four outcomes were created based on this information.

Primary Care in Last Week Was Formal Care. An outcome was created to capture the percentage of those who used formal care the week prior to the interview.

Primary Care in Last Week Was Informal Care. An outcome was created to capture the percentage of those who used informal care the week prior to the interview.

Total Hours in Child Care Last Week. The total hours the child spent in any type of formal and informal care were counted.

Total Hours in Self-Care Last Week. The total hours the child spent in self-care were counted.

D. Child Care Quality

Quality of Primary Child Care. The Emlen scale measures the parent's perception of the quality of the child's primary care provider during the week prior to the interview. The 12-item scale includes items like "Child feels safe and secure with provider," "Child is treated with respect by provider," "Provider is warm and affectionate towards child," and "Provider handles discipline matters easily without being harsh." Two subscales were also created measuring warmth (five items) and safety (three items). In addition, a subscale was created to be in common with the Project on State-Level Child Outcomes (three items). Scales were computed only for those observations missing none of the total items in a scale.

The items are coded on a 4-point scale where 1 is equal to "never," 2 is equal to "sometimes," 3 is equal to "often," and 4 is equal to "always." The outcomes constructed take the sum of the items and from this sum create indicators of perceptions of high or low quality. A score of 36 or above on the total scale, a score of 15 or above on the warmth scale, and scores of 9 or above on the safety scale and the scale created for the Project on State-Level Child Outcomes is considered a perception of high-quality care. These outcomes are experimental; that is, they were created across all sample members, including those who never used care or used only self-care. Cronbach coefficient alphas for the scales are .90 for the total scale, .83 for the warmth scale, and .79 for the safety scale. The alpha for the scale created for the Project on State-Level Child Outcomes is .61.

E. Extent of Child Care

Respondents were given a child care calendar on which they recorded the type of child care used in each of the 36 months since random assignment. Three outcomes were created based on this information.

Months in Formal Child Care.* The total number of months in formal child care was counted; formal care is defined as above.

Months in Informal Child Care.* The total number of months in informal child care was counted; informal care is defined as above.

Months with One Child Care Arrangement.* The total number of months in which only one child care arrangement was used was counted; the arrangements were either formal or informal as defined above.

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*As noted earlier, an asterisk signals and outcome that was measured by the Audio-CASI method, and a portion of the sample did not complete those sections of the survey.

F. Child Care Stability

Some respondents who gave answers for types of care used at least once a week for a month or more did not fill out the calendar. The next two outcomes are based on the answers of those who filled out the calendar.

Any Child Care. An outcome was created to capture the percentage of those whose children were in formal or informal care.

Any Formal Child Care. An outcome was created to capture the percentage of those whose children were in formal care.

Child care spell duration outcomes were created using the child care calendar. These outcomes are experimental; that is, they were created across all sample members, including those who never used formal or informal care.

Informal Child Care Spell. Two outcomes were created to capture the percentages of children whose first use of informal care lasted less than 12 consecutive months or more than 12 consecutive months, given that the care was started within a year of random assignment.

Formal Child Care Spell. Two outcomes were created to capture the percentages of children whose first use of formal care lasted less than 12 consecutive months or more than 12 consecutive months, given that the care was started within a year of random assignment.

III. Family Environment

Home Environment. A scale was created from items adapted from the Home Observation for Measurement of the Environment (HOME) scale (Caldwell and Bradley, 1984). The scale used in this report resembles a modified version of the HOME scale, called the HOME-Short Form (HOME-SF), that was created in the National Longitudinal Survey of Youth (NLSY; Baker et al., 1993). The New Chance Demonstration used a trichotomous coding scheme, which MFIP followed (Polit, 1996). In addition to the total HOME scale, three subscales were created to depict the child's cognitive stimulation, routine behavior, and physical environment. (The routine behavior subscale was not used in the New Chance Demonstration or the NLSY.)

Table C.1 presents all the items in the HOME scale as well as the factors for the three subscales. Two scales, including a routine behavior scale, were also created to be in common with outcomes in the Project on State-Level Child Outcomes. The total scale was computed only for those observations missing less than 31 percent of the total items in the scale. (Items that were based on interviewers' assessments were more likely to be incomplete than other items, because some interviews took place over the phone. To maximize the sample size in this case, the threshold for missing items was increased. Nonetheless, using either 31 or 25 percent yielded similar results.) If the scale had at least 69 percent of the items, imputed means were used for the missing values. For most of the subscales, the scales were computed only for those observations missing less than 25 percent of the total items in the scale. For those scales with at least 75 percent of the items, imputed means were used for the missing values. In the case of the physical environment subscale, the scale was computed only for those observations missing none of the items in the scale.

The thirty-three items on the HOME scale follow.

> *Think about your (child/children). How safe (is/are) your (child/children) when (he/she) (is/they are) outside during the daytime in your neighborhood?*

This item was made into a 3-point scale where 1 is equal to "very unsafe or not allowed outside," 2 is equal to "somewhat unsafe," and 3 is equal to "very safe or somewhat safe."

Respondents were asked about activities the child performed at the same time each day, such as meals, homework, going to bed, bedtime activities, and playtime. These items were made into a 3-point scale where 1 is equal to "never," 2 is equal to "one to five days a week or does not apply," and 3 is equal to "every day."

> *About how many magazines does your family get regularly, either on the newsstand, by subscription, or from friends?*

This item was made into a 3-point scale where 1 is equal to "none," 2 is equal to "one or two," and 3 is equal to "three or more."

> *How often does your family get a newspaper, either on the newsstand, by subscription, or from friends?*

This item was made into a 3-point scale where 1 is equal to "never," 2 is equal to "once in a while," and 3 is equal to "most days or every day."

> *About how many hours is the TV on in your home each day?*

This item was made into a 3-point scale where 1 is equal to "greater than 10 hours," 2 is equal to "between 5 and 10 hours," and 3 is equal to "between 0 and 5 hours or has no TV."

> *About how often do you read stories to child?*

This item was made into a 3-point scale and is based on the age of the child. If the child is less than 6 years old, then 1 is equal to "several times month," "several times a year," or "never"; 2 is equal to "once a week" or "at least three times a week"; and 3 is equal to "every day." If the child is 6 years old or older, then 1 is equal to "several times a year" or "never"; 2 is equal to "several times a month" or "once a week"; and 3 is equal to "at least three times a week" or "every day."

> *How often do you and child go to the library? Do either you or child have a library card?*

These two items are combined into one item and made into a 3-point scale where 1 is equal to "never go to library and do not have library card"; 2 is equal to "goes to library several times a year or never but parent or child owns a library card" or "goes to library several times a year but parent or child does not have a library card"; and 3 is equal to "goes to the library once a month, several times a month, or about once a week."

About how many books does CHILD have of (his/her) own?

This item was made into a 3-point scale where 1 is equal to "less than 10 books," 2 is equal to "between 10 and 20 books," and 3 is equal to "greater than 20 books."

Do you have a dictionary (here) at home? Does child ever use it?

These two items are combined into one item and made into a 3-point scale where 1 is equal to "does not have a dictionary," 2 is equal to "has a dictionary but child does not use it," and 3 is equal to "has a dictionary and child uses it."

About how often does CHILD read for enjoyment?

This item was made into a 3-point scale where 1 is equal to "several times a month, several times a year, or never"; 2 is equal to "several times a week"; and 3 is equal to "every day."

When CHILD watches TV with you or another adult in the household, are the TV programs discussed with CHILD?

This item was made into a 3-point scale where 1 is equal to "hardly ever," 2 is equal to "once in a while," and 3 is equal to "fairly often."

Is there a radio, tape recorder, or a CD player here that child can use? Is (he/she) allowed to use it whenever (he/she) wants to, without asking permission?

These two items are combined into one item and made into a 3-point scale where 1 is equal to "there is no radio, tape recorder, or CD player that child can use"; 2 is equal to "the child is not allowed to use the device whenever (he/she) wants"; and 3 is equal to "the child is allowed to use the device whenever (he/she) wants to, without asking permission."

Is there any kind of musical instrument — for example, a piano, drum, guitar, and so on — that CHILD can use here at home?

This item was made into a 2-point scale where 1 is equal to "no" and 3 is equal to "yes."

How often have you or another family member taken or arranged to take CHILD to any type of live musical program, play, or dance performance within the past year?

How often have you or another family member taken or arranged to take CHILD to any type of museum — children's scientific, art, historical, etc .— within the past year?

These items were made into a 3-point scale where 1 is equal to "never"; 2 is equal to "once or twice"; and 3 is equal to "several times, about once a month, or about once a week or more often."

Has CHILD taken a trip more than 50 miles away from home — for example, with a family member, church group, or youth organization — within the past year? How many trips did (he/she) take this past year?

These two items are combined into one item and made into a 3-point scale where 1 is equal to "child has not taken a trip," 2 is equal to "one trip," and 3 is equal to "more than one trip."

> *Do any of your children take lessons after school or on weekends in subjects like music, dance, language, or computers?*

This item was made into a 2-point scale where 1 is equal to "no" and 3 is equal to "yes."

The following items capture the interviewer's assessment of the home environment.

The interviewer was asked yes/no questions about the interior of the house/apartment — such as whether it was clean, cluttered, or dark — as well as about the safeness of the exterior of the housing structure. These items were made into a 2-point scale where 1 is equal to "no" and 3 is equal to "yes."

> *How well kept is the exterior of the structure in which the respondent lives?*
>
> *How well kept are the exteriors of other neighborhood structures?*

These two items were made into a 3-point scale, based on an 11-point scale, ranging from 0 to 10, where "very poorly kept, dilapidated, major repairs needed" is at the low extreme; "needs minor painting or repair, but nothing major" is at the midrange; and "very well kept and in good repair" is at the high extreme. On the 3-point scale, 1 is equal to "0-5," 2 is equal to "6-8," and 3 is equal to "9-10."

> *Within one or two blocks of respondent's home, were there any of the following things?*
>
> > *Teenagers hanging out on the street.*
> > *Vacant lots.*
> > *Litter and garbage on the street or sidewalk.*
> > *Abandoned or boarded-up houses/buildings.*
> > *Vandalism such as broken windows or graffiti.*
> > *Foliage/landscaping (trees, grass, plantings).*

These yes/no items were combined into one summary item that was made into a 3-point scale. The last item (foliage/landscaping) was reverse-coded. The summary item equals 1 if the interviewer answered "yes" to three or more of the items, 2 if the interviewer answered "yes" to one or two of the items, and 3 if the interviewer answered "no" to all items.

> *Was the atmosphere in the area where the interview took place . . . :*

This item was made into a 3-point scale, based on an 11-point scale, ranging from 0 to 10, where "extremely chaotic and noisy, disruptive to interview" is at the low extreme; "some noise and interruptions, but not too disruptive to interview" is at the midrange; and "very quiet and calm, ideal for interview" is at the high extreme. On the 3-point scale, 1 is equal to "0-5," 2 is equal to "6-8," and 3 is equal to "9-10."

Please rate the respondent's personal hygiene . . . :

This item was made into a 3-point scale, based on an 11-point scale, ranging from 0 to 10, where "very great evidence of poor hygiene (matted hair, green or rotten teeth, filthy clothes or skin or odor)" is at the low extreme; "some evidence of poor hygiene (e.g., dirty clothes or face)" is at the midrange; and "no evidence of poor hygiene" is at the high extreme. On the 3-point scale, 1 is equal to "0-5," 2 is equal to "6-8," and 3 is equal to "9-10."

How many books are visible in respondent's apartment/house?

This item was made into a 3-point scale where 1 is equal to "none," 2 is equal to "1-9," and 3 is equal to "10 or more."

Are there pictures, posters, or art work on the walls of respondent's home?

This item was made into a 3-point scale where 1 is equal to "no, none"; 2 is equal to "yes, one"; and 3 is equal to "yes, two or more."

The outcomes constructed take the sum of the items, where a higher score indicates a home environment of higher quality. The Cronbach coefficient alphas for the scales are .77 for the total scale, .65 for the cognitive stimulation scale, .63 for the routine behavior scale, and .79 for the physical environment scale. The alphas for the scales created for the Project on State-Level Outcomes are .51 for the total scale and .60 for the routine behavior scale.

The New Chance Demonstration had separate scales dependent on the age of the focal child. The alphas for the report ranged from .70 to .76 at the 18-month point and from .81 to .82 at the 42-month point.

Safety of the Neighborhood. An outcome, created from the following item, captured the percentage of families who lived in a safe neighborhood.

How safe (is/are) your (child/children) when (he/she) (is/they are) outside during the daytime in your neighborhood?

Respondents answered on a 4-point scale where 1 is equal to "very safe," 2 is equal to "somewhat safe," 3 is equal to "somewhat unsafe," and 4 is equal to "very unsafe." A neighborhood is considered safe if the item is equal to 1 or 2.

Number of Family Moves. An outcome, based on the following item, captured the number of moves a family had made since random assignment.

How many times have you moved since random assignment?

IV. Family Functioning

A. Marital Status and Fertility

Three outcomes were created from the following four items.

1. Have you ever been married?

This item equals 1 if "yes" and 2 if "no."

2. In the prior month, were you . . . ?

This item equals 1 if "married and living with your husband," 2 if "separated or living apart from your husband," 3 if "divorced," and 4 if "widowed."

3. In the prior month, were you living as a couple with a boyfriend or partner?

This item equals 1 if "yes" and 2 if "no."

4. Where does the focal child's natural, birth father live?

This item equals 1 if "in your household"; 2 if "in your neighborhood nearby"; 3 if "in the same city but not nearby"; 4 if "in the same state, but not the same city"; 5 if "in a different state"; 6 if "in a different country"; 7 if "deceased"; 8 if "in a jail/prison"; 9 if "other."

Currently Married. An outcome was created capturing the percentage of respondents currently married. A respondent is considered married if the second item above equals 1. A respondent is not considered married if the first item equals 2 or if the second item is greater than 1.

Currently Married to Biological Father. An outcome was created capturing the percentage of respondents currently married to the biological father of the focal child. A respondent is considered married to the father if the second item above equals 1 and the fourth item equals 1. A respondent is not considered married to the father if the second item equals 1 and the fourth item is greater than 1 or if the first item equals 0 and the second item is greater than 1.

Currently Cohabiting. An outcome was created capturing the percentage of respondents currently cohabiting. A respondent is considered to be cohabiting if the third item above equals 1. A respondent is not considered to be cohabiting if the second item equals 1 or if the third item equals 2.

Currently Cohabiting with Biological Father. An outcome was created capturing the percentage of respondents currently cohabiting with the biological father of the focal child. A respondent is considered to be cohabiting with the father if the third item above equals 1 and the fourth item above equals 1. A respondent is not considered to be cohabiting with the father if the third item equals 1 and the fourth item is greater than 1 or if the third item equals 2.

Number of Children Since Random Assignment. This outcome, created from the following item, captures how many children the mother had had since random assignment.

How many children have you had since random assignment?

B. Maternal Domestic Abuse

Domestic abuse outcomes were constructed from three pieces of information: types of abuse, perpetrators, and timing of abuse.

1. Types of abuse

Did anyone ever yell at you all the time, put you down on purpose, or call you names in order to make you feel bad about yourself as a person?

Did anyone ever try to control your every move?

Did anyone ever threaten you with physical harm?

Did anyone ever force you into sexual activities?

Did anyone ever hit, slap, kick, or otherwise physically harm you?

The items equal 1 if "yes" and 2 if "no." If an item equaled 1, then the identity of perpetrators was probed.

2. Perpetrators

People who did these things: your husband, ex-husband, boyfriend, ex-boyfriend, female partner (current or past), parent or stepparent, other family member, someone at your job, a stranger, or someone else.

The item equals 1 if "yes" to a specific perpetrator and 2 if "no" to a specific perpetrator.

3. Timing of abuse

How long ago did the most recent event happen?

The item equals 1 if "within past 7 days," 2 if "a week ago," 3 if "a month ago," 4 if "six months ago," 5 if "a year ago," 6 if "more than a year ago," and 7 if "more than 3 years ago."

Abuse by an Intimate Partner in the Last Year.* Outcomes were created to capture the percentage of respondents who had been abused by an intimate partner in the last year. A respondent is defined to have been abused by an intimate partner in the last year if the first item equals 1; the second item equals 1 for husband, ex-husband, boyfriend, ex-boyfriend, or female partner; and the third item is less than or equal to 5.

Abuse by Other Person in the Last Year.* Outcomes were created to capture the percentage of respondents who had been abused by someone other than an intimate partner in the last year. A respondent is defined to have been abused by someone other than an intimate partner in the last year if the first item equals 1; the second item equals 1 for parent/stepparent, other family member, someone at your job, a stranger, or someone else; and the third item is less than or equal to 5.

Abuse in the Last Three Years.* An outcome was created to capture the percentage of respondents who had ever been abused in the last three years. A respondent is defined to have been abused in the last three years if the first item equals 1, the second item equals 1 for any choice, and the third item is less than or equal to 6.

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*As noted earlier, an asterisk signals an outcome that was measured by the Audio-CASI method, and a portion of the sample did not complete those sections of the survey.

C. Maternal Psychological Functioning

Depression.* The CES-D (Center for Epidemiological Studies-Depression) scale measures symptoms of maternal depression (Radloff, 1977). It is commonly used and validated for identifying people at risk for clinical depression. The 20-item scale covers areas such as appetite loss, shortened attention span, feeling sad or depressed, lack of hopefulness for the future, feeling fearful, sleeplessness, loneliness, crying spells, and lack of energy. The scale was computed only for those observations missing less than 25 percent of the total items in the scale. For those scales with at least 75 percent of the items, imputed means were used for the missing values.

Respondents answered on a 4-point scale where 0 is equal to "rarely or none of the time (<1 day)," 1 is equal to "some or little of the time (1-2 days)," 2 is equal to "occasionally or a moderate amount of time (3-4 days)," and 3 is equal to "most or all of the time (5-7 days)." To make the scale consistent, four items were reverse-coded. One outcome takes the sum of the 20 items, where a higher score indicates greater depression. In a second outcome, the respondent is considered at high risk for clinical depression if the sum of the scale is greater than 23. The Cronbach coefficient alpha for the scale is .91. The New Hope Demonstration also used the CES-D scale for respondent parents and reported an alpha of .90 (Bos et al., 1999).

D. Parenting Behavior

Parenting behavior is measured by four scales covering aggravation, warmth, harshness, and supervision. Although a total scale of the items in the four scales has not been constructed, a factor analysis was done on the items in the four scales. The items in each of the scales as well as the factors for each item can be found in Table C.2.

Aggravation.* A scale measuring aggravation was created from four items including "During the past month have you felt your child is much harder to care for than most?" and "During the past month have you felt your child does things that really bother you a lot?" The scale was computed only for those observations having three or more of the total items in the scale. If the scale was summed and had at least three items, imputed means were used for the missing values.

Respondents answered on a 4-point scale where 1 is equal to "none of the time," 2 is equal to "some of the time," 3 is equal to "most of the time," and 4 is equal to "all the time." Two outcomes were then constructed. One outcome takes the mean of the four items, where a higher score indicates greater aggravation. In a second outcome, the respondent is considered to have low aggravation if the sum of the four items is less than or equal to 11. The Cronbach coefficient alpha for this scale is .70.

Warmth.* A scale measuring warmth was created from three items covering the number of times the child was shown physical affection, was praised, and was bragged about over the past week. The scale was computed only for those observations missing none of the total items in the scale.

The items were made into a 4-point scale where 1 is equal to "0 times," 2 is equal to "1-5 times," 3 is equal to "6-19 times," and 4 is equal to " 20 or more times." The outcome constructed takes the mean of the three items, where a higher score indicates greater warmth. The Cronbach coefficient alpha for this scale is .57.

Harshness.* A scale was created from the following three items covering the number of times the respondent spanked, yelled at or threatened, and lost her temper with the child over the past week. The scale was computed only for those observations missing none of the total items of the scale.

The items were made into a 4-point scale where 1 is equal to "0 times," 2 is equal to "1-3 times," 3 is equal to "4-6 times," and 4 is equal to "7 or more times." Two outcomes were then constructed. One outcome takes the mean of the three items, where a higher score indicates greater harshness. A second outcome takes the maximum of the items, thus better capturing harshness if it exists only in one item. The Cronbach coefficient alpha for this scale is .82.

Supervision.* A scale measuring parental supervision of the child was created from four items covering how often the respondent knew where the child was, whom the child was with, whether the child had come back home at the expected time, and whether the child had finished homework. The scale was computed only for those observations missing 25 percent or less of the total items in the scale.

Respondents answered on a 5-point scale where 1 is equal to "almost never," 2 is equal to "sometimes," 3 is equal to "often," 4 is equal to "almost always," and 5 is equal to "always." The outcome constructed takes the mean of the four items, where a higher score indicates greater supervision. The Cronbach coefficient alpha for this scale is .69.

Alternative outcomes were also constructed combining the warmth and the supervision outcomes. These alternative outcomes were based on the median of the warmth and supervision outcomes and included outcomes for permissive parenting, authoritarian parenting, neglectful parenting, and authoritative parenting. (These outcomes are noted when appropriate in the text of the report.)

Measures of dispersion were also constructed for the mean parenting outcomes. The 75th percentile and the 25th percentile were calculated based on the total sample control group. Two outcomes were then created per parenting outcome. For each parenting outcome, one outcome is equal to 100 if the parenting outcome is greater than the 75th percentile and is 0 otherwise. A second outcome is equal to 100 if the parenting outcome is less than the 25th percentile and is 0 otherwise.

V. Child Outcomes

All child outcomes — including measurements of behavior, health, and academic performance — are based solely on maternal reports.

A. Behavior

Problem Behavior.* Problem behavior was measured from the 28-item Behavioral Problems Index (BPI), which was used in the National Longitudinal Survey of Youth (NLSY; Peterson and Zill, 1986). In addition to the main scale, two subscales were created based on externalizing behavior and internalizing behavior. Table C.3 presents all the items in the BPI as well as the factors for the two subscales. An externalizing behavior subscale and an internalizing behavior subscale were also created to be in common with outcomes in the Project on State-Level Child Outcomes. Scales were computed only for those observations missing less than 25 percent of the total items in the scale. For those scales with at least 75 percent of the items, imputed means were used for the missing values.

Respondents answered on a 3-point scale where 0 is equal to "not true," 1 is equal to "sometimes true," and 2 is equal to "often true." The outcomes constructed take the sum of the items, where a higher score indicates more negative behavior. The Cronbach coefficient alphas are .92 for the total scale, .87 for the externalizing scale, and .80 for the internalizing scale. Alphas for the two scales created for the Project on State-Level Child Outcomes are .73 for the externalizing scale and .73 for the internalizing scale.

In addition to the three scales, an outcome was created capturing the percentage of children with a high level of behavioral and emotional problems. The outcome was constructed from five items including "My child is rather high strung, tense, and nervous," "My child has difficulty concentrating and paying attention," "My child has trouble getting along with other children," "My child feels worthless or inferior," and "My child is unhappy, sad, or depressed."

The items were made into a 3-point scale where 1 is equal to "often true," 2 is equal to "sometimes true," and 3 is equal to "not true." The sum of the five items was taken for those observations missing less than 25 percent of the five items. For those observations with at least 75 percent of the five items, imputed means were used for the missing values. A score of 10 or less indicates a high level of behavioral and emotional problems.

Other studies have evaluated child behavior with the BPI. The New Hope Project had parents rate preschool-age and school-age children separately (Bos et al., 1999). For preschool-age children, the alpha for the total scale is .69 and ranges from .63 to .70 for the two subscales. For school-age children, the alpha for the total scale is .77 and ranges from .61 to .81 for the two subscales. The NLSY also reports alphas separately (Baker et al., 1993). For preschool-age children and school-age children, the alpha for the total scale is .88. The NLSY divided the BPI into six subscales, with alphas ranging from .57 to .71. Finally, the New Chance Demonstration also reports alphas separately (Quint, Bos, and Polit, 1997). For preschool-age children, the alpha for the total scale is .82; for school-age children, the alpha is .86. New Chance also divided the BPI into six subscales, with alphas ranging from .49 to .63.

Positive Behavior.* Positive behavior was measured from the 25-item Positive Behavior Scale (PBS; Polit, 1996). In addition to the main scale, three subscales were created based on compliance, social competence, and autonomy. Table C.4 presents all the items in the PBS as well as the factors for the subscales. A fourth subscale was also created to be in common with outcomes in the Project on State-Level Child Outcomes. Scales were computed only for those observations missing less than 25 percent of the total items in the scale. For those scales with at least 75 percent of the items, imputed means were used for the missing values.

Respondents answered on an 11-point scale ranging from 0, equal to "not at all like my child," to 10, equal to "completely like my child." The outcomes constructed take the sum of the items, where a higher score indicates more positive behavior. The Cronbach coefficient alphas are .95 for the total scale, .93 for the compliance scale, .85 for the social competence scale, and .79 for the autonomy scale. The alpha for the scale created for the Project on State-Level Outcomes is .90.

The PBS was initially used in the New Chance Demonstration (Quint, Bos, and Polit, 1997). The PBS was created to emphasize the positive aspects in a child's behavior, as opposed to negative aspects, which the BPI captures (Polit, 1996). Alphas from this study are .94 for the total scale and range from .77 to .88 for the compliance, social competence, and autonomy subscales. A parent-rated PBS was also used by the New Hope Project (Bos et al., 1999), in which the alphas are .91 for the total scale and range from .71 to .86 for the subscales.

Correlation between the PBS and the BPI is -.70. Thus, the two scales are negatively correlated, as would be expected. Other studies confirm this correlation. In the New Chance Demonstration, the correlation is -.54 for the two scales; and in the New Hope Project, the correlation is -.33 for preschool-age children and -.55 for school-age children.

Measures of dispersion were also constructed for the PBS and BPI outcomes. The 75th percentile and the 25th percentile were calculated based on the total sample control group. Two outcomes were then created per PBS/BPI outcome. For each PBS/BPI outcome, one outcome is equal to 100 if the PBS/BPI outcome is greater than the 75th percentile and to 0 otherwise. A second outcome is equal to 100 if the PBS/BPI outcome is less than the 25th percentile and to 0 otherwise.

B. School Behavior

Behavioral Problems. The outcome, created from the following item, captures the percentage of respondents who had been contacted by the school about behavioral problems.

> *Since random assignment, have you been contacted by the school regarding any behavioral problems your child may have been having?*

Special Education. The outcome, created from the following item, captures the percentage of those respondents whose children had received special education.

> *Since random assignment, has your child received special education because of a physical, emotional, behavioral, or other problem that limited the kind or amount of school work (he/she) can do?*

C. Academic Functioning

Performance in School. Two outcomes were created from the following item.

> *Based on your knowledge of child's schoolwork, including (his/her) report cards, how has (he/she) been doing in school overall?*

One outcome was coded on a 5-point scale where 1 is equal to "not well at all," 2 is equal to "below average," 3 is equal to "average," 4 is equal to "well," and 5 is equal to "very well." A second outcome indicates those who performed below average and was coded 100 if the respondent answered that her child performed in school "not well at all" or "below average" and was coded 0 if the respondent answered that her child performed "average," "well," or "very well."

Engagement.* A scale measuring engagement was created from four items including "Does just enough homework to get by" and "Only works on schoolwork when forced to." The scale was computed only for those observations having three or more of the total items in the scale. For those scales with at least three items, imputed means were used for the missing values.

The items were coded on a 3-point scale where 1 is equal to "not true," 2 is equal to "sometimes true," and 3 is equal to "often true." To make the scale consistent, two items were reverse-coded. The outcome takes the sum of four items, where a higher score indicates greater engagement. The Cronbach coefficient alpha for this scale is .60.

Grade Repetition. An outcome, created from the following item, captures the percentage of children who had repeated a grade.

> *Since random assignment, has child repeated a grade — including kindergarten — for any reason?*

Suspension/Expulsion. An outcome, created from the following item, captures the percentage of children who had been suspended or expelled.

> *Since random assignment, has your child been suspended, excluded, or expelled from school?*

D. Health

Child's Health. The outcome, created from the following item, captures the percentage of children whose health was above average.

> *Would you say that child's health in general is . . .*

The item was coded 100 if the respondent answered "excellent" or "very good" and 0 if the respondent answered " good," "fair," or "poor."

Child Safety. The outcome, created from the following item, captures the percentage of children who had made an emergency room visit.

> *Since random assignment, have any of your children had an accident, injury, or poisoning requiring a visit to a hospital emergency room or clinic?*

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*As noted earlier, an asterisk signals an outcome that was measured by the Audio-CASI method, and a portion of the sample did not complete those sections of the survey.

Table C.1

Items and Factor Loadings for HOME Subscales

Item in Total Scale	Cognitive Stimulation	Routine Behavior	Physical Environment
Number of hours the TV is on	0.40		
Owns a library card/frequency of library trips	0.42		
Number of books child owns[a]	0.48		
Is there a dictionary and does child use it?	0.57		
Are TV programs discussed with an adult?[a]	0.30		
Is there a radio, CD player, etc., that child can use?	0.36		
Is there a musical instrument that child can use?[a]	0.47		
Number of trips to musical, play, dance performance[a]	0.44		
Number of trips to a type of museum[a]	0.46		
Number of trips child has taken over 50 miles	0.43		
Does child take after-school or weekend lessons?	0.38		
How many books are visible in the home?	0.39		
How often is evening meal served at a regular time?[b]		0.60	
How often is homework completed at a regular time?		0.57	
How often do children go to bed at regular time?[b]		0.56	
How often do you do special things with children at bedtime?[b]		0.56	
How often does family eat breakfast at regular time?[b]		0.41	
How often do you do something fun with child?		0.51	
How often do you read stories to child?[a]		0.53	
Visible rooms of the home are cluttered[a]			0.63
Building has potentially dangerous hazards[a]			0.53
All visible rooms of home are reasonably clean[a]			0.65
Interior of the home is dark or monotonous[a]			0.56
How well kept is the exterior of the structure?			0.76
How well kept are the exterior of other structures?			0.71
Teens, litter, vandalism, etc., in neighborhood			0.45
Atmosphere in the interview area			0.49
Respondent's personal hygiene			0.60
Pictures, posters, art work on walls of home			0.36
Children's safety during the daytime in neighborhood			
Number of magazines regularly received			
Number of days newspaper is received			
How often does child read for enjoyment?[a]			
Cronbach coefficient alpha for scale	0.65	0.63	0.79

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: Items were included on the factors in which they most highly loaded.

Items without factors are included only in the total scale.

[a] These items were used to create a scale to be in common with the Project on State-Level Child Outcomes.

[b] These items were used to create a scale to be in common with the Project on State-Level Child Outcomes. One additional item, "How often does family eat evening meal together," was used to create this scale.

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Table C.2

Items and Factor Loadings for Parenting Scales

Item	Aggravation	Warmth	Harshness	Supervision
How many times in the past month have you felt:				
Child is much harder to care for than most?	0.76			
Child does things that are really irritating?	0.83			
You are giving up more than ever expected for child?	0.66			
Angry with your child?	0.60			
How many times in the past week have you:				
Shown child physical affection?		0.86		
Praised child for doing something worthwhile?		0.93		
Told another adult something positive about child?		0.89		
Had to spank child?			0.57	
Had to scold, yell at, or threaten child?			0.71	
Gotten really angry or lost your temper with child?			0.77	
How often do you know:				
Who child is with when (he/she) is away from home?				0.84
Where child is when (he/she) is away from home?				0.86
If child arrived back home when (he/she) was supposed to?				0.75
Whether child has finished any homework?				0.55
Cronbach coefficient alpha for scale	0.70	0.82	0.57	0.69

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTE: Items were included on the factors in which they most highly loaded.

Table C.3

Items and Factor Loadings for the Behavioral Problems Index (BPI) Subscales

Item in Total Scale	Internalizing Behavior	Externalizing Behavior
Has sudden changes in mood or feelings	0.35	
Feels or complains that no one loves him or her[a]	0.46	
Is rather high strung, tense, and nervous	0.45	
Is too fearful or anxious	0.66	
Feels worthless or inferior[a]	0.60	
Is unhappy, sad or depressed[a]	0.51	
Is withdrawn, does not get involved with others[a]	0.47	
Clings to adults	0.55	
Cries too much	0.61	
Demands a lot of attention	0.40	
Is too dependent on others	0.65	
Cheats or tells lies[b]		0.58
Argues too much		0.46
Bullies or is cruel or mean to others[b]		0.68
Is disobedient at home[b]		0.55
Does not seem to feel sorry after misbehavior[b]		0.54
Has trouble getting along with other children		0.58
Is impulsive, or acts without thinking		0.60
Is restless or overly active, cannot sit still		0.54
Has a very strong temper and loses it easily		0.55
Breaks things on purpose		0.48
Is disobedient at school[b]		0.90
Has trouble getting along with teachers		0.75
Has difficulty concentrating and paying attention		
Is easily confused, seems to be in a fog		
Is not liked by other children[a]		
Has obsessions		
Is stubborn, sullen, or irritable		
Cronbach coefficient alpha for scale	0.80	0.87

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: Items were included on the factors in which they most highly loaded.

Items without factors are included only in the total scale.

[a] These items were used to create a scale to be in common with the Project on State-Level Child Outcomes.

[b] These items were used to create a scale to be in common with the Project on State-Level Child Outcomes.

Table C.4

Items and Factor Loadings for the Positive Behavior Scale (PBS) Subscales

Item in Total Scale	Compliance	Social Competence	Autonomy
Waits his or her turn in games or other activities	0.73		
Thinks before he or she acts, is not impulsive	0.78		
Gets along well with other children[a]	0.46		
Usually does what I tell (him/her) to do	0.72		
Is able to concentrate or focus on an activity	0.69		
Is helpful and cooperative[a]	0.49		
Is considerate and thoughtful of other children[a]	0.54		
Is obedient, follows rules	0.76		
Is calm, easy-going	0.75		
Sticks with an activity until it is finished	0.70		
Is patient if I am busy and (he/she) wants something	0.76		
Is cheerful, happy[a]		0.61	
Is warm, loving		0.82	
Is curious and exploring, likes new experiences		0.62	
Shows concern for other people's feelings[a]		0.62	
Shows pride when (he/she) does well or learns		0.69	
Tends to give, lend, and share[a]		0.47	
Is eager to please		0.41	
Tries to do things for (himself/herself), is self-reliant			0.66
Can easily find something to do on (his/her) own			0.49
Sticks up for (himself/herself), is self-assertive			0.71
Tries to be independent, to do things (himself/herself)			0.79
Can get over being upset quickly			
Is admired and well liked by other children[a]			
Is easily comforted when (he/she) gets angry			
Cronbach coefficient alpha for scale	0.93	0.85	0.79

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: Items were included on the factors in which they most highly loaded.

Items without factors are included only in the total scale.

[a] These items were used to create a scale to be in common with the Project on State-Level Child Outcomes.

Table C.5

Actual Ranges for Outcomes Coded on a Continuous Range

Outcome	Mean	Standard Deviation	Minimum	Maximum
Perceptions of financial strain	2.8	0.7	1	4
Index of material hardship	1.5	1.5	0	7
Total hours in care last week	10.8	19.5	0	168
Total hours in self-care last week	1.3	7.7	0	168
Total months in formal care	7.8	12.2	0	36
Total months in informal care	14.2	14.7	0	36
Total months with one arrangement	14.8	14.1	0	36
Total HOME scale	76.9	7.9	46	97
HOME cognitive subscale	26.4	4.1	13	36
HOME routines subscale	16.4	2.6	7	21
HOME physical environment subscale	25.1	4.1	10	30
Depression scale	16.4	11.4	0	58
Aggravation scale	1.8	0.5	1	4
Warmth scale	3.5	0.7	1	4
Harsh-parenting scale	1.6	0.6	1	4
Supervision scale	4.6	0.6	1	5
Total BPI score	11.2	8.9	0	51.5
BPI externalizing subscore	5.1	4.4	0	23
BPI internalizing subscore	4.2	3.5	0	21
Total PBS score	196.7	36.2	12	250
PBS compliance subscore	81.9	19.1	0	110
PBS social competence subscore	59.4	9.3	9	70
PBS autonomy subscore	32.6	6.6	0	40
Performance in school	4.1	1.1	1	5
Engagement in school	10.2	1.8	4	12
Sample size (total = 1,929)				

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTE: Sample size may slightly vary for each outcome variable.

Appendix D

MFIP's Effects on Children in All Counties and in Rural Counties

This appendix presents MFIP's impacts on families and children in the four rural counties (Mille Lacs, Morrison, Sherburne, and Todd). The rural counties were not combined with the urban counties in the main report because the three-group research design was not implemented in the rural areas. The impacts discussed should be interpreted with some caution, given that the sample sizes for the rural counties are very small.

Tables D.1 and D.2 present a summary of MFIP's effects for urban counties, rural counties, and all counties combined. The results for the urban counties in Table D.1 are reproduced from Chapter 3 and show MFIP's positive effects on earnings, income, and child outcomes for long-term recipients. In the rural counties, MFIP increased mothers' employment rates but did not increase their earnings. On average, however, MFIP mothers had higher incomes from earnings and welfare because of an increase in welfare receipt. See Volume 1 for more discussion about possible reasons for the different impacts in rural counties (Miller et al., 2000).

A comparison of the two AFDC groups shows that, in general, children in the rural counties fared better than their urban counterparts. Rural mothers reported fewer behavioral problems, better health, and better school progress for their children. Table D.3 presents a wider range of outcomes. Comparing AFDC group outcomes with data from Chapter 3 shows that rural long-term recipients were more likely than urban long-term recipients to have been married at the time of the survey (20 percent compared with 6.2 percent), less likely to have been abused in the past three years, and less likely to have been at high risk of clinical depression. These differences may partly explain why children in the rural counties generally fared better than children in the urban counties.

In terms of MFIP's impacts, however, the program had little effect on children in the rural counties, as shown in Table D.1, and little effect on the intermediate outcomes, as shown in Table D.3. The exception to this pattern is that MFIP increased the number of children who had continuous health insurance coverage, most likely because it increased rates of welfare receipt.

Tables D.2 and D.4 present MFIP's effects on recent applicants. The key difference between the urban and rural families in terms of direct outcomes is that MFIP had a much greater effect on family income in the rural counties ($1,357 compared with $137), largely because the increase in welfare benefits was not matched by a decrease in earnings. Despite the increase in income, MFIP did not have any statistically significant effects on child outcomes for rural recent applicants, nor did it affect any intermediate outcomes (see Table D.4). A relatively high percentage of rural families in the AFDC group used informal child care (86.3 percent), and MFIP seems to have caused some families to switch to formal child care, although the increase (13.2 percentage points) is not statistically significant. A somewhat odd result is that MFIP did not increase the number of children continuously covered by health insurance, as it did for most other groups. As noted earlier, the sample sizes for rural counties are very small, so the impacts should be interpreted with caution.

Table D.1

Summary of Impacts on Participation, Employment, Earnings, Welfare, Income, Poverty, and Child Outcomes for Long-Term Recipients

	Urban Counties			Rural Counties			All Counties[a]		
Outcome	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)
Participation, employment, earnings, income, welfare, and poverty									
Ever participated in an employment-related activity (from administrative records) (%)	91.4	71.6	19.8 ***	87.2	72.2	15.0 **	90.1	71.6	18.4 ***
Average annual employment (%)	72.8	57.7	15.1 ***	68.8	57.5	11.2 **	72.1	57.8	14.3 ***
Average annual earnings ($)	4,657	3,906	751 *	4,061	4,139	-78	4,533	3,938	596 *
Average quarterly receipt rate (%)	91.0	86.5	4.5 **	91.9	83.0	9.0 **	91.0	85.7	5.4 ***
Average annual welfare benefit ($)	7,014	6,458	556 **	6,697	5,540	1,157 ***	6,930	6,278	651 ***
Average annual income from welfare and earnings ($)	11,671	10,364	1,307 ***	10,758	9,679	1,079 *	11,463	10,216	1,247 ***
Measured poverty[b] (%)	68.5	81.3	-12.8 ***	79.1	83.1	-4.0	70.1	81.5	-11.5 ***
Child outcomes									
Behavioral Problems Index	11.2	12.7	-1.5 *	12.0	11.8	0.2	11.6	12.4	-0.8
Positive Behavior Scale	194.2	193.7	0.5	192.3	198.1	-5.8	193.5	194.8	-1.3
Child's health rated by mother as very good or excellent (%)	75.0	77.8	-2.8	78.3	85.1	-6.8	75.9	78.3	-2.4
Engagement in school	10.2	9.9	0.3 **	10.3	10.2	0.1	10.2	9.9	0.3 *
Performance in school	4.1	4.0	0.2 *	4.1	4.2	0.0	4.1	4.0	0.1
Ever repeated a grade?	5.4	3.6	1.8	0.2	3.7	-3.5	4.7	3.8	0.9
Sample size (total = 1,568)	306	281		92	105		398	386	

(continued)

Table D.1 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and welfare benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix for details regarding the construction of outcomes.

[a] A higher fraction of the caseload in the rural counties than the urban counties was randomly assigned into the evaluation, meaning that the rural counties are overrepresented in the full evaluation sample. To account for this, the rural counties were weighted down by a factor of .57 when estimating impacts for urban and rural counties combined.

[b] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

Table D.2

Summary of Impacts on Participation, Employment, Earnings, Welfare, Income, Poverty, and Child Outcomes for Recent Applicants

	Urban Counties			Rural Counties			All Counties[a]		
Outcome	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)	MFIP	AFDC	Impact (Difference)
Participation, employment, earnings, income, welfare, and poverty									
Ever participated in an employment-related activity (from administrative records) (%)	75.1	64.8	10.3 **	73.0	69.6	3.4	73.8	65.1	8.7 **
Average annual employment (%)	74.6	71.2	3.3	76.1	71.8	4.3	75.1	71.4	3.8
Average annual earnings ($)	6,817	7,438	-620	6,530	5,854	676	6,897	7,322	-425
Average quarterly receipt rate (%)	72.4	66.2	6.3 **	79.4	73.8	5.6	72.8	66.9	5.8 **
Average annual welfare benefit ($)	4,530	3,772	757 ***	4,486	3,805	681	4,414	3,698	715 ***
Average annual income from welfare and earnings ($)	11,347	11,210	137	11,016	9,660	1,357 *	11,311	11,020	291
Measured poverty[b] (%)	63.6	70.2	-6.6	61.5	76.5	-15.0 *	63.3	70.2	-6.9 **
Child outcomes									
Behavioral Problems Index	10.8	9.8	1.0	12.2	10.2	1.9	11.1	9.8	1.3 *
Positive Behavior Scale	196.8	200.0	-3.2	195.5	196.4	-0.9	196.1	199.3	-3.2
Child's health rated by mother as very good or excellent (%)	77.2	78.7	-1.4	83.4	90.8	-7.5	79.0	80.9	-1.9
Engagement in school	10.2	10.4	-0.2	10.4	10.2	0.2	10.2	10.4	-0.1
Performance in school	4.2	4.3	-0.1	4.2	4.0	0.1	4.2	4.2	-0.1
Ever repeated a grade?	2.0	4.6	-2.6	2.6	3.6	-1.0	2.2	4.5	-2.3
Sample size (total = 1,378)	258	259		97	75		355	334	

(continued)

Table D.2 (continued)

SOURCES: MDRC calculations using data from Minnesota Unemployment Insurance earnings records and welfare benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

[a] A higher fraction of the caseload in the rural counties than the urban counties was randomly assigned into the evaluation, meaning that the rural counties are overrepresented in the full evaluation sample. To account for this, the rural counties were weighted down by a factor of .57 when estimating impacts for urban and rural counties combined.

[b] Measured poverty is defined as the percentage of families whose earnings plus welfare benefits are below the official poverty threshold. The appropriate threshold is determined by the number of children in the family. Because the measure of income used here includes earnings, cash welfare, and Food Stamp benefits but does not include income from other sources, the measured poverty rate presented here is not comparable with the official poverty rate.

Table D.3

MFIP's Impacts on Selected Direct, Intermediate, and Child Outcomes for Long-Term Recipients in Rural Counties

Outcome	MFIP	AFDC	Impact (Difference)	Effect Size[a]
Direct Outcomes				
Ever participated in an employment-related activity (%)	87.2	72.2	15.0 **	0.34
Average quarterly employment rate	68.8	57.5	11.2 **	0.30
Average annual earnings ($)	4,061	4,139	-78	0.02
Average annual welfare benefit ($)	6,697	5,540	1,157 ***	0.36
Average annual income from benefits and earnings ($)	10,758	9,679	1,079 *	0.26
Intermediate Outcomes				
Ever a time when any children were not covered by insurance?	82.8	66.2	16.6 **	0.36
Never used child care (%)	22.6	24.9	-2.3	0.05
Formal child care (%)	43.3	35.9	7.4	0.16
Informal child care (%)	63.0	72.2	-9.2	0.20
Total HOME scale	75.9	76.8	-0.9	0.13
Currently married (%)	22.9	20.0	2.9	0.07
Currently married to biological father (%)	3.0	1.2	1.8	0.13
Mother ever abused in last 3 years (%)	57.1	50.1	7.0	0.14
Mother at high risk of clinical depression (%)	27.5	19.5	8.1	0.20
Parenting behavior				
Aggravation scale	1.7	1.7	0.0	0.00
Warmth scale	3.3	3.6	-0.2 **	0.44
Harsh-parenting scale	1.6	1.6	0.0	0.01
Supervision scale	4.6	4.7	0.0	0.09
Child Outcomes				
Behavioral Problems Index	12.0	11.8	0.2	0.02
Positive Behavior Scale	192.3	198.1	-5.8	0.18
Child's health rated by mother as very good or excellent (%)	78.3	85.1	-6.8	0.18
Performance in school	4.1	4.2	0.0	0.02
Engagement in school	10.3	10.2	0.1	0.05
Ever repeated a grade (%)	0.2	3.7	-3.5	0.18
Sample size (total = 197)	92	105		

(continued)

Table D.3 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

[a]The effect size is the difference between program and control group outcomes expressed as a proportion of the standard deviation of the outcome for both groups combined. The standard deviation is always obtained from the full research sample, even if the table shows impacts for subgroups.

Table D.4

Summary of Direct, Intermediate, and Child Outcomes for Recent Applicants in Rural Counties

Outcome	MFIP	AFDC	Impact (Difference)	Effect Size[a]
Direct Outcomes				
Ever participated in an employment-related activity (%)	73.0	69.6	3.4	0.07
Average quarterly employment rate	76.1	71.8	4.3	0.13
Average annual earnings ($)	6,530	5,854	676	0.11
Average annual welfare benefit ($)	4,486	3,805	681	0.20
Average annual income from benefits and earnings ($)	11,016	9,660	1,357 *	0.28
Intermediate Outcomes				
Ever a time when any children were not covered by insurance?	65.1	71.8	-6.7	0.14
Never used child care (%)	8.9	7.9	1.0	0.04
Formal child care (%)	50.7	37.5	13.2	0.27
Informal child care (%)	78.3	86.3	-8.0	0.22
Total HOME scale	77.3	77.8	-0.4	0.08
Currently married (%)	18.2	29.8	-11.6	0.25
Currently married to biological father (%)	5.6	6.3	-0.8	0.03
Mother ever abused in last 3 years (%)	51.4	54.2	-2.8	0.06
Mother at high risk of clinical depression (%)	24.5	20.5	4.1	0.10
Parenting behavior				
Aggravation scale	1.6	1.7	-0.1	0.13
Warmth scale	3.6	3.5	0.0	0.07
Harsh-parenting scale	1.7	1.6	0.1	0.22
Supervision scale	4.8	4.7	0.0	0.05
Child Outcomes				
Behavioral Problems Index	12.2	10.2	1.9	0.24
Positive Behavior Scale	195.5	196.4	-0.9	0.03
Child's health rated by mother as very good or excellent (%)	83.4	90.8	-7.5	0.24
Performance in school	4.2	4.0	0.1	0.14
Engagement in school	10.4	10.2	0.2	0.08
Ever repeated a grade (%)	2.6	3.6	-1.0	0.05
Sample size (total = 172)	97	75		

(continued)

Table D.4 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who had a child age 5 to 12 at the time of the survey, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

[a] The effect size is the difference between program and control group outcomes expressed as a proportion of the standard deviation of the outcome for both groups combined. The standard deviation is always obtained from the full research sample, even if the table shows impacts for subgroups.

Appendix E

MFIP's Effects on Selected Child Outcomes for All Children in the MFIP Evaluation

This appendix presents MFIP's impacts on selected measures of children's academic functioning for all children in the MFIP evaluation. Information about grade performance, grade repetition, and behavior problems in school was collected in the core section of the survey for all children age 5 to 18. Thus, even though the text of this report focuses on these outcomes for focal children of single parents who were age 2 to 9 at the time of random assignment, these outcomes are actually available for each child, age 5 to 18 at the time of the interview, for all families in the MFIP evaluation who responded to the survey. Because information was collected for each child in the family, these outcomes are analyzed at the child level. Standard errors are adjusted to account for the presence of multiple siblings in the family.

Five outcomes are analyzed. The first is maternal reports of a child's average performance in school. Mothers responded on a scale of 1 ("very well") to 5 ("not well at all"). These items were reverse-coded to construct a mean, where a higher value indicates better performance in school. Two additional outcomes were created from this item: performance is above average ("above average" or "very well") and performance is below average ("below average" or "not well at all"). The fourth outcome assesses whether or not a child ever repeated a grade. The fifth outcome assesses whether or not the parent was contacted by the school about the child's behavioral problems.

One advantage to analyzing these data is that MFIP's impacts on child well-being may now be examined for a representative set of families in the full evaluation, and because outcomes were collected for each child in the family, the sample sizes are relatively large. With a larger sample size these impacts may confirm results that were found for one focal child. An additional advantage is that these outcomes offer one snapshot of MFIP's impacts on adolescents (that is, children over age 12 at the time of the interview). Despite these advantages, the outcomes represent only a very specific aspect of child well-being, and thus caution should be exercised in drawing broad conclusions about how MFIP affected children. For example, MFIP may affect children's behavior, particularly adolescent delinquent behavior, and these behavior outcomes are not available. Finally, as a reminder, these outcomes are based on maternal reports.

Table E.1 presents MFIP's impacts on these outcomes for children in single-parent and two-parent families. The impacts are presented for the same subgroups of families that are analyzed in Volume 1: urban single-parent long-term recipients, urban single-parent recent applicants, rural single-parent long-term recipients, rural single-parent recent applicants, and two-parent family recipients. As discussed in Volume 1, MFIP generally increased employment and income among urban and rural single-parent families; it decreased the employment of at least one parent in two-parent recipient families and increased marital stability among two-parent recipient families (Miller et al., 2000). In summary, the impacts presented in Table E.1 show that MFIP had some beneficial effects on all children of urban single-parent long-term recipients, consistent negative effects on all children of urban single-parent recent applicants, and some beneficial effect on all children of two-parent family recipients.

For all children of urban single-parent long-term recipients, MFIP significantly reduced the likelihood of performing below average but had no impact on other measures of academic functioning. For all children of urban single-parent recent applicants, MFIP significantly reduced performance in school, both by decreasing performance that was above average and by increasing performance that was below average; it also increased grade repetition and increased the likelihood that a parent was contacted about a child's behavioral problems at school. These negative effects on children of urban single-parent recent applicants are very consistent across outcomes — and somewhat surprising, because they were not found for the focal children of recent applicant families analyzed in the report. For children in rural families, MFIP had no impact on academic functioning. Finally, for all children in two-parent recipient families, MFIP has no significant effect. It is especially unfortunate that more measures of well-being are not available for the children of two-parent family recipients, given MFIP's effects of reducing the employment of one parent and increasing marital stability.

Table E.2 presents MFIP's impacts and decomposition for all children in urban single-parent long-term recipient families, by child's age. The age ranges were constructed partly to match the age range of the focal children in the report, that is, children age 9 or less at the time of random assignment. These impacts show that MFIP's beneficial effects on early-school-age children hold up for a larger sample. This is particularly true for the effects of MFIP's financial incentives (not shown). For children age 10 or older at the time of random assignment, there is one significant impact: decreasing the likelihood of performing above average in school. This may suggest that the beneficial effects of MFIP on children of long-term recipients are confined to younger children. It is difficult to conclude this, however, without seeing more consistency across the impacts on schooling and without having any information about adolescent behavior.

Table E.3 presents MFIP's impacts for all children in urban single-parent recent applicant families, by child's age. These impacts show that the negative effects of MFIP on children of recent applicants are present only for the children age 10 or older at the time of random assignment, who were adolescents at the time of the interview. These latter impacts explain why the negative effects were not found for the focal children who were age 5 to 12 at the time of random assignment in the report. How or why did MFIP negatively affect adolescents of recent applicants? For all recent applicants, MFIP significantly increased employment but had no significant impact on earnings, although it did increase income measured from earnings and welfare benefits. Recent applicants worked part time, and more of them worked for lower wages. The impacts on employment, earnings, and income may be different for the subgroup of recent applicants with adolescents. This warrants investigation, especially because the impacts on adults are likely linked to the impacts on these adolescent children. Unfortunately, many of the intermediate outcomes — such as the quality of the home environment, parenting, maternal depression, and domestic abuse — were measured in the child section of the survey, and impacts thus are unavailable to analyze for this group of older children.

Table E.1

MFIP's Impacts on Selected Measures of Academic Functioning for All Children in the MFIP Evaluation

Outcome	MFIP	AFDC	Impact (Difference)
Urban Counties			
Single-parent long-term recipients			
Performance in school	3.9	3.9	0.0
Performance is above average (%)	40.9	44.4	-3.5
Performance is below average (%)	11.8	15.3	-3.5 *
Ever repeated a grade? (%)	8.6	8.3	0.3
Contacted by school about child's behavioral problems? (%)	35.5	33.9	1.6
Sample size (total = 1,450)	754	696	
Single-parent recent applicants			
Performance in school	3.9	4.1	-0.2 **
Performance is above average (%)	43.8	50.5	-6.7 **
Performance is below average (%)	14.0	10.0	4.1 *
Ever repeated a grade? (%)	9.2	6.8	2.5
Contacted by school about child's behavioral problems? (%)	31.4	26.7	4.8
Sample size (total = 1,344)	692	652	
Rural Counties			
Single-parent long-term recipients			
Performance in school	4.0	4.1	0.0
Performance is above average (%)	42.3	45.3	-2.9
Performance is below average (%)	9.4	7.4	1.9
Ever repeated a grade? (%)	5.9	8.2	-2.2
Contacted by school about child's behavioral problems? (%)	28.3	27.1	1.2
Sample size (total = 490)	218	272	
Single-parent recent applicants			
Performance in school	4.0	4.0	0.0
Performance is above average (%)	45.5	42.9	2.7
Performance is below average (%)	10.9	9.0	1.9
Ever repeated a grade? (%)	8.9	6.6	2.2
Contacted by school about child's behavioral problems? (%)	27.1	26.1	1.0
Sample size (total = 482)	253	229	

(continued)

Table E.1 (continued)

Outcome	MFIP	AFDC	Impact (Difference)
Two-parent family recipients			
Performance in school	4.0	3.9	0.0
Performance is above average (%)	45.3	39.2	6.1
Performance is below average (%)	13.3	9.4	4.0
Ever repeated a grade? (%)	7.0	6.4	0.6
Contacted by school about child's behavioral problems? (%)	22.2	26.8	-4.6
Sample size (total = 612)	324	288	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

Table E.2

MFIP's Impacts on Selected Measures of Academic Functioning for All Long-Term Recipient Children in Urban Counties from the MFIP Evaluation, by Child's Age

Outcome	MFIP	AFDC	Impact (Difference)
Less than 6 years old			
Performance in school	4.2	4.1	0.1
Performance is above average (%)	54.8	53.8	0.9
Performance is below average (%)	6.3	11.0	-4.7 *
Ever repeated a grade? (%)	5.2	3.8	1.4
Contacted by school about child's behavioral problems? (%)	26.7	26.2	0.6
Sample size (total = 692)	355	337	
6 to 9 years old			
Performance in school	3.8	3.7	0.1
Performance is above average (%)	34.0	37.7	-3.8
Performance is below average (%)	11.1	16.8	-5.7
Ever repeated a grade? (%)	4.5	8.0	-3.6
Contacted by school about child's behavioral problems? (%)	40.6	39.8	0.8
Sample size (total = 459)	246	213	
10 years old or older			
Performance in school	3.6	3.6	0.0
Performance is above average (%)	27.7	38.9	-11.3 *
Performance is below average (%)	21.6	23.0	-1.4
Ever repeated a grade? (%)	14.6	17.7	-3.1
Contacted by school about child's behavioral problems? (%)	43.9	37.6	6.3
Sample size (total = 318)	164	154	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C for details regarding the construction of outcomes.

Table E.3

MFIP's Impacts on Selected Measures of Academic Functioning for All Recent Applicant Children in Urban Counties from the MFIP Evaluation, by Child's Age

Outcome	MFIP	AFDC	Impact (Difference)
Less than 6 years old			
Performance in school	4.3	4.3	0.0
Performance is above average (%)	57.6	59.5	-1.9
Performance is below average (%)	5.3	4.6	0.7
Ever repeated a grade? (%)	2.7	3.0	-0.2
Contacted by school about child's behavioral problems? (%)	16.6	18.8	-2.2
Sample size (total = 577)	284	293	
6 to 9 years old			
Performance in school	4.0	4.1	-0.1
Performance is above average (%)	49.5	49.8	-0.3
Performance is below average (%)	11.1	8.3	2.7
Ever repeated a grade? (%)	7.5	5.2	2.3
Contacted by school about child's behavioral problems? (%)	29.9	32.1	-2.1
Sample size (total = 423)	217	206	
10 years old or older			
Performance in school	3.4	3.7	-0.3 **
Performance is above average (%)	24.3	36.3	-12.1 **
Performance is below average (%)	24.9	16.6	8.3 *
Ever repeated a grade? (%)	17.0	12.1	4.9
Contacted by school about child's behavioral problems? (%)	44.9	33.4	11.5 ***
Sample size (total = 366)	196	170	

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

See Chapter 3 and Appendix C in the report for details regarding the construction of outcomes.

Appendix F

Summary of MFIP's Impacts Converted into Effect Sizes

Table F.1

Summary of Impacts on Direct, Intermediate, and Child Outcomes Converted into Effect Sizes for Long-Term Recipients in Urban Counties

Outcome	AFDC Outcome	MFIP vs. AFDC Impact (Difference)	MFIP vs. AFDC Effect Size[a]	MFIP Incentives Only vs. AFDC Impact (Difference)	MFIP Incentives Only vs. AFDC Effect Size[a]	MFIP vs. MFIP Incentives Only Impact (Difference)	MFIP vs. MFIP Incentives Only Effect Size[a]
Direct Outcomes							
Ever participated in an employment-related activity (%)	71.6	19.8 ***	0.44	5.0	0.11	14.8 ***	0.33
Average quarterly employment rate	57.7	15.1 ***	0.38	8.5 ***	0.21	6.6 **	0.16
Average annual earnings ($)	3,906	751 *	0.14	60	0.01	691 *	0.13
Average annual welfare benefit ($)	6,458	556 **	0.16	1,078 ***	0.31	-522 **	0.15
Average annual income from benefits and earnings ($)	10,364	1,307 ***	0.28	1,138 ***	0.25	169	0.04
Intermediate Outcomes							
Children continuously covered by health insurance in past 36 months (%)	67.0	8.5 **	0.18	11.7 ***	0.25	-3.2	0.07
Never used child care (%)	22.0	-9.9 ***	0.24	-1.7	0.04	-8.2 ***	0.20
Formal child care (%)	42.3	10.6 ***	0.21	-0.5	0.01	11.0 ***	0.22
Informal child care (%)	67.7	7.5 *	0.16	0.2	0.00	7.4 *	0.16
Total HOME scale	75.5	0.2	0.02	0.7	0.08	-0.5	0.06
Currently married and living with spouse (%)	6.2	5.0 **	0.21	4.1 *	0.17	0.9	0.04
Currently married to biological father (%)	0.9	1.8	0.22	2.1 *	0.24	-0.2	0.03
Ever abused in last 3 years (%)	59.6	-10.5 **	0.21	-9.7 **	0.20	-0.8	0.02
At high risk of clinical depression (%)	31.6	-2.8	0.06	-8.4 **	0.18	5.6	0.12
Parenting behavior							
Aggravation scale	1.9	-0.1	0.12	-0.1	0.09	0.0	0.03
Warmth scale	3.5	0.0	0.06	0.1	0.10	-0.1 *	0.16
Harsh-parenting scale	1.7	0.0	0.03	-0.1	0.13	0.1	0.10
Supervision scale	4.5	0.1 **	0.17	0.1	0.12	0.0	0.05
Child Outcomes							
Behavioral Problems Index	12.7	-1.5 *	0.14	-1.5 *	0.15	0.1	0.00
Positive Behavior Scale	193.7	0.5	0.01	6.9 **	0.18	-6.4 *	0.16
Child's health rated by mother as very good or excellent (%)	77.8	-2.8	0.07	2.6	0.06	-5.4	0.13
Performance in school	4.0	0.2 *	0.15	0.2 *	0.14	0.0	0.01
Engagement in school	9.9	0.3 **	0.17	0.4 **	0.20	-0.1	0.03
Ever repeated a grade (%)	3.6	1.8	0.10	0.4	0.02	1.5	0.08
Sample size (total = 879)	281						

(continued)

Table F.1 (continued)

SOURCES: MDRC calculations using data from Minnesota's Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who were on welfare for two years or more prior to random assignment and had a focal child age 5 to 12, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a] The effect size is the difference between program and control group outcomes expressed as a proportion of the standard deviation of the outcome for both groups combined. The standard deviation is always obtained from the full research sample, even if the table shows impacts for subgroups.

Table F.2

Summary of Impacts on Direct, Intermediate, and Child Outcomes Converted into Effect Sizes for Recent Applicants in Urban Counties

		MFIP vs. AFDC		MFIP Incentives Only vs. AFDC		MFIP vs. MFIP Incentives Only	
Outcome	AFDC Outcome	Impact (Difference)	Effect Size[a]	Impact (Difference)	Effect Size[a]	Impact (Difference)	Effect Size[a]
Direct Outcomes							
Ever participated in an employment-related activity (%)	64.8	10.3 **	0.21	-3.9	0.08	14.2 ***	0.29
Average quarterly employment rate	71.2	3.3	0.09	2.6	0.07	0.7	0.02
Average annual earnings ($)	7,438	-620	0.08	-1,168	0.15	548	0.07
Average annual welfare benefit ($)	3,772	757 ***	0.22	1,158 ***	0.34	-401	0.12
Average annual income from benefits and earnings ($)	11,210	137	0.02	-10	0.00	147	0.02
Intermediate Outcomes							
Children continuously covered by health insurance in past 36 months (%)	62.7	7.2 *	0.15	13.3 **	0.27	-6.1	0.12
Never used child care (%)	12.2	0.9	0.03	4.3	0.13	-3.4	0.10
Formal child care (%)	48.8	4.9	0.10	-4.6	0.09	9.5 *	0.19
Informal child care (%)	76.6	-2.7	0.06	-2.7	0.06	0.0	0.00
Total HOME scale	78.7	-0.3	0.04	-0.4	0.06	0.1	0.02
Currently married and living with spouse (%)	20.8	2.7	0.07	-6.9	0.17	9.6 **	0.23
Currently married to biological father (%)	8.2	1.8	0.06	-3.3	0.11	5.0 *	0.18
Ever abused in last 3 years (%)	49.1	-0.4	0.01	5.0	0.10	-5.4	0.11
At high risk of clinical depression (%)	20.6	1.5	0.04	2.9	0.07	-1.4	0.03
Parenting behavior							
Aggravation scale	1.7	0.0	0.08	0.1	0.21	-0.1	0.13
Warmth scale	3.4	0.1	0.14	-0.1	0.09	0.2 *	0.24
Harsh-parenting scale	1.5	0.1 **	0.26	0.2 ***	0.37	-0.1	0.11
Supervision scale	4.6	-0.1	0.13	-0.1	0.15	0.0	0.02
Child Outcomes							
Behavioral Problems Index	9.8	1.0	0.13	0.9	0.12	0.1	0.01
Positive Behavior Scale	200.0	-3.2	0.10	-3.4	0.11	0.3	0.01
Child's health rated by mother as very good or excellent (%)	78.7	-1.4	0.04	2.4	0.06	-3.9	0.10
Child's performance in school	4.3	-0.1	0.11	-0.2 *	0.20	0.1	0.09
Child's engagement in school	10.4	-0.2	0.13	-0.5 **	0.28	0.3	0.15
Child ever repeated a grade (%)	4.6	-2.6	0.13	1.2	0.06	-3.8 *	0.18
Sample size (total = 652)	259						

(continued)

Table F.2 (continued)

SOURCES: MDRC calculations using data from Minnesota Unemployment Insurance (UI) earnings records and the 36-month client survey.

NOTES: The sample includes members randomly assigned from April 1, 1994, to October 31, 1994, who were on welfare for two years or more prior to random assignment and had a focal child age 5 to 12, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

Sample size may slightly vary for each outcome variable.

Rounding may cause slight discrepancies in sums and differences.

[a]Effect size is calculated as the impact divided by the standard deviation of the outcome for the control group.

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Recent Publications on MDRC Projects

Note: For works not published by MDRC, the publisher's name is shown in parentheses. A complete publications list is available from MDRC and on its Web site (www.mdrc.org), which also contains copies of MDRC's publications.

Reforming Welfare and Making Work Pay

ReWORKing Welfare: Technical Assistance for States and Localities

A multifaceted effort to assist states and localities in designing and implementing their welfare reform programs. The project includes a series of "how-to" guides, conferences, briefings, and customized, in-depth technical assistance.

After AFDC: Welfare-to-Work Choices and Challenges for States. 1997. Dan Bloom.

Changing to a Work First Strategy: Lessons from Los Angeles County's GAIN Program for Welfare Recipients. 1997. Evan Weissman.

Work First: How to Implement an Employment-Focused Approach to Welfare Reform. 1997. Amy Brown.

Business Partnerships: How to Involve Employers in Welfare Reform. 1998. Amy Brown, Maria Buck, Erik Skinner.

Learnfare: How to Implement a Mandatory Stay-in-School Program for Teenage Parents on Welfare. 1998. David Long, Johannes Bos.

Promoting Participation: How to Increase Involvement in Welfare-to-Work Activities. 1999. Gayle Hamilton, Susan Scrivener.

Encouraging Work, Reducing Poverty: The Impact of Work Incentive Programs. 2000. Gordon Berlin.

Steady Work and Better Jobs: How to Help Low-Income Parents Sustain Employment and Advance in the Workforce. 2000. Julie Strawn, Karin Martinson.

Project on Devolution and Urban Change

A multi-year study in four major urban counties — Cuyahoga County, Ohio (which includes the city of Cleveland), Los Angeles, Miami-Dade, and Philadelphia — that examines how welfare reforms are being implemented and affect poor people, their neighborhoods, and the institutions that serve them.

Big Cities and Welfare Reform: Early Implementation and Ethnographic Findings from the Project on Devolution and Urban Change. 1999. Janet Quint, Kathryn Edin, Maria Buck, Barbara Fink, Yolanda Padilla, Olis Simmons-Hewitt, Mary Valmont.

Food Security and Hunger in Poor, Mother-Headed Families in Four U.S. Cities. 2000. Denise Polit, Andrew London, John Martinez.

Financial Incentives

Encouraging Work, Reducing Poverty: The Impact of Work Incentive Programs. 2000. Gordon Berlin.

Minnesota Family Investment Program

An evaluation of Minnesota's welfare reform initiative, which aims to encourage work, alleviate poverty, and reduce welfare dependence.

MFIP: An Early Report on Minnesota's Approach to Welfare Reform. 1995. Virginia Knox, Amy Brown, Winston Lin.

Making Welfare Work and Work Pay: Implementation and 18-Month Impacts of the Minnesota Family Investment Program. 1997. Cynthia Miller, Virginia Knox, Patricia Auspos, Jo Anna Hunter-Manns, Alan Orenstein.

Reforming Welfare and Rewarding Work: Final Report on the Minnesota Family Investment Program. 2000:
  Volume 1: Effects on Adults. Cynthia Miller, Virginia Knox, Lisa Gennetian, Martey Dodoo, Jo Anna Hunter, Cindy Redcross.
  Volume 2: Effects on Children. Lisa Gennetian, Cynthia Miller.

Reforming Welfare and Rewarding Work: A Summary of the Final Report on the Minnesota Family Investment Program. 2000. Virginia Knox, Cynthia Miller, Lisa Gennetian.

New Hope Project

A test of a community-based, work-focused antipoverty program and welfare alternative operating in Milwaukee.

The New Hope Offer: Participants in the New Hope Demonstration Discuss Work, Family, and Self-Sufficiency. 1996. Dudley Benoit.

Creating New Hope: Implementation of a Program to Reduce Poverty and Reform Welfare. 1997. Thomas Brock, Fred Doolittle, Veronica Fellerath, Michael Wiseman.

Who Got New Hope? 1997. Michael Wiseman.

An Early Look at Community Service Jobs in the New Hope Demonstration. 1998. Susan Poglinco, Julian Brash, Robert Granger.

New Hope for People with Low Incomes: Two-Year Results of a Program to Reduce Poverty and Reform Welfare. 1999. Johannes Bos, Aletha Huston, Robert Granger, Greg Duncan, Thomas Brock, Vonnie McLoyd.

Canada's Self-Sufficiency Project

A test of the effectiveness of a temporary earnings supplement on the employment and welfare receipt of public assistance recipients. Reports on the Self-Sufficiency Project are available from: Social Research and Demonstration Corporation (SRDC), 275 Slater St., Suite 900, Ottawa, Ontario K1P 5H9, Canada. Tel.: 613-237-4311; Fax: 613-237-5045. In the United States, the reports are also available from MDRC.

Creating an Alternative to Welfare: First-Year Findings on the Implementation, Welfare Impacts, and Costs of the Self-Sufficiency Project (Social Research and Demonstration Corporation [SRDC]). 1995. Tod Mijanovich, David Long.

The Struggle for Self-Sufficiency: Participants in the Self-Sufficiency Project Talk About Work, Welfare, and Their Futures (SRDC). 1995. Wendy Bancroft, Sheila Currie Vernon.

Do Financial Incentives Encourage Welfare Recipients to Work? Initial 18-Month Findings from the Self-Sufficiency Project (SRDC). 1996. David Card, Philip Robins.

When Work Pays Better Than Welfare: A Summary of the Self-Sufficiency Project's Implementation, Focus Group, and Initial 18-Month Impact Reports (SRDC). 1996.

How Important Are "Entry Effects" in Financial Incentive Programs for Welfare Recipients? Experimental Evidence from the Self-Sufficiency Project (SRDC). 1997. David Card, Philip Robins, Winston Lin.

Do Work Incentives Have Unintended Consequences? Measuring "Entry Effects" in the Self-Sufficiency Project (SRDC). 1998. Gordon Berlin, Wendy Bancroft, David Card, Winston Lin, Philip Robins.

When Financial Incentives Encourage Work: Complete 18-Month Findings from the Self-Sufficiency Project. 1998. Winston Lin, Philip Robins, David Card, Kristen Harknett, Susanna Lui-Gurr.

Does SSP Plus Increase Employment? The Effect of Adding Services to the Self-Sufficiency Project's Financial Incentives. 1999. Gail Quets, Philip Robins, Elsie Pan, Charles Michalopoulos, David Card.

When Financial Work Incentives Pay for Themselves: Early Findings from the Self-Sufficiency Project's Applicant Study. 1999. Charles Michalopoulos, Philip Robins, David Card.

The Self-Sufficiency Project at 36 Months: Effects of a Financial Work Incentive on Employment and Income. 2000. Charles Michalopoulos, David Card, Lisa Gennetian, Kristen Harknett, Philip K. Robins.

The Self-Sufficiency Project at 36 Months: Effects on Children of a Program that Increased Parental Employment and Income. 2000. Pamela Morris, Charles Michalopoulos.

Time Limits

Cross-State Study of Time-Limited Welfare

An examination of the implementation of some of the first state-initiated time-limited welfare programs.

Implementing Time-Limited Welfare: Early Experiences in Three States. 1995. Dan Bloom, David Butler.

The View from the Field: As Time Limits Approach, Welfare Recipients and Staff Talk About Their Attitudes and Expectations. 1997. Amy Brown, Dan Bloom, David Butler.

Welfare Time Limits: An Interim Report Card. 1999. Dan Bloom.

Connecticut's Jobs First Program

An evaluation of Connecticut's statewide time-limited welfare program, which includes financial work incentives and requirements to participate in employment-related services aimed at rapid job placement. This study provides some of the earliest information on the effects of time limits in major urban areas.

Early Data on the Implementation of Connecticut's Jobs First Program. 1997. Dan Bloom, Mary Andes.

Jobs First: Early Implementation of Connecticut's Welfare Reform Initiative. 1998. Dan Bloom, Mary Andes, Claudia Nicholson.

Connecticut Post-Time Limit Tracking Study: Three-Month Survey Results. 1998. Jo Anna Hunter-Manns, Dan Bloom, Richard Hendra, Johanna Walter.

Connecticut Post-Time Limit Tracking Study: Six-Month Survey Results. 1999. Jo Anna Hunter-Manns, Dan Bloom.

Jobs First: Implementation and Early Impacts of Connecticut's Welfare Reform Initiative. 2000. Dan Bloom, Laura Melton, Charles Michalopoulos, Susan Scrivener, Johanna Walter.

Florida's Family Transition Program

An evaluation of Florida's initial time-limited welfare program, which includes services, requirements, and financial work incentives intended to reduce long-term welfare receipt and help welfare recipients find and keep jobs.

The Family Transition Program: An Early Implementation Report on Florida's Time-Limited Welfare Initiative. 1995. Dan Bloom.

The Family Transition Program: Implementation and Early Impacts of Florida's Initial Time-Limited Welfare Program. 1997. Dan Bloom, James Kemple, Robin Rogers-Dillon.

The Family Transition Program: Implementation and Interim Impacts of Florida's Initial Time-Limited Welfare Program. 1998. Dan Bloom, Mary Farrell, James Kemple, Nandita Verma.

The Family Transition Program: Implementation and Three-Year Impacts of Florida's Initial Time-Limited Welfare Program. 1999. Dan Bloom, Mary Farrell, James Kemple, Nandita Verma.

Vermont's Welfare Restructuring Project

An evaluation of Vermont's statewide welfare reform program, which includes a work requirement after a certain period of welfare receipt, and financial work incentives.

WRP: Implementation and Early Impacts of Vermont's Welfare Restructuring Project. 1998. Dan Bloom, Charles Michalopoulos, Johanna Walter, Patricia Auspos.

Forty-Two Month Impacts of Vermont's Welfare Restructuring Project. 1999. Richard Hendra, Charles Michalopoulos.

WRP: Key Findings from the Forty-Two-Month Client Survey. 2000. Dan Bloom, Richard Hendra, Charles Michalopoulos.

Mandatory Welfare Employment Programs

National Evaluation of Welfare-to-Work Strategies

Conceived and sponsored by the U.S. Department of Health and Human Services, with support from the U.S. Department of Education, this is the largest-scale evaluation ever conducted of different strategies for moving people from welfare to employment.

Adult Education for People on AFDC: A Synthesis of Research (U.S. Department of Education [ED]/U.S. Department of Health and Human Services [HHS]). 1995. Edward Pauly.

Early Findings on Program Impacts in Three Sites (HHS/ED). 1995. Stephen Freedman, Daniel Friedlander.

Five Years After: The Long-Term Effects of Welfare-to-Work Programs (Russell Sage Foundation). 1995. Daniel Friedlander, Gary Burtless.

Monthly Participation Rates in Three Sites and Factors Affecting Participation Levels in Welfare-to-Work Programs (HHS/ED). 1995. Gayle Hamilton.

Changing to a Work First Strategy: Lessons from Los Angeles County's GAIN Program for Welfare Recipients. 1997. Evan Weissman.

Evaluating Two Welfare-to-Work Program Approaches: Two-Year Findings on the Labor Force Attachment and Human Capital Development Programs in Three Sites (HHS/ED). 1997. Gayle Hamilton, Thomas Brock, Mary Farrell, Daniel Friedlander, Kristen Harknett.

Work First: How to Implement an Employment-Focused Approach to Welfare Reform. 1997. Amy Brown.

Implementation, Participation Patterns, Costs, and Two-Year Impacts of the Portland (Oregon) Welfare-to-Work Program (HHS/ED). 1998. Susan Scrivener, Gayle Hamilton, Mary Farrell, Stephen Freedman, Daniel Friedlander, Marisa Mitchell, Jodi Nudelman, Christine Schwartz.

Los Angeles's Jobs-First GAIN Program

An evaluation of Los Angeles's refocused GAIN (welfare-to-work) program, which emphasizes rapid employment. This is the first in-depth study of a full-scale "work first" program in one of the nation's largest urban areas.

Changing to a Work First Strategy: Lessons from Los Angeles County's GAIN Program for Welfare Recipients. 1997. Evan Weissman.

The Los Angeles Jobs-First GAIN Evaluation: Preliminary Findings on Participation Patterns and First-Year Impacts. 1998. Stephen Freedman, Marisa Mitchell, David Navarro.

The Los Angeles Jobs-First GAIN Evaluation: First-Year Findings on Participation Patterns and Impacts. 1999. Stephen Freedman, Marisa Mitchell, David Navarro

The Los Angeles Jobs-First GAIN Evaluation: Final Report on a Work First Program in a Major Urban Center. 2000. Stephen Freedman, Jean Knab, Lisa Gennetian, David Navarro.

Teen Parents on Welfare

Teenage Parent Programs: A Synthesis of the Long-Term Effects of the New Chance Demonstration, Ohio's Learning, Earning, and Parenting (LEAP) Program, and the Teenage Parent Demonstration (TPD). 1998. Robert Granger, Rachel Cytron.

Ohio's LEAP Program

An evaluation of Ohio's Learning, Earning, and Parenting (LEAP) Program, which uses financial incentives to encourage teenage parents on welfare to stay in or return to school.

LEAP: Final Report on Ohio's Welfare Initiative to Improve School Attendance Among Teenage Parents. 1997. Johannes Bos, Veronica Fellerath.

New Chance Demonstration

A test of a comprehensive program of services that seeks to improve the economic status and general well-being of a group of highly disadvantaged young women and their children.

New Chance: Final Report on a Comprehensive Program for Young Mothers in Poverty and Their Children. 1997. Janet Quint, Johannes Bos, Denise Polit.

Parenting Behavior in a Sample of Young Mothers in Poverty: Results of the New Chance Observational Study. 1998. Martha Zaslow, Carolyn Eldred, editors.

Focusing on Fathers

Parents' Fair Share Demonstration

A demonstration for unemployed noncustodial parents (usually fathers) of children on welfare. PFS aims to improve the men's employment and earnings, reduce child poverty by increasing child support payments, and assist the fathers in playing a broader constructive role in their children's lives.

Low-Income Parents and the Parents' Fair Share Demonstration. 1996. Earl Johnson, Fred Doolittle.

Working with Low-Income Cases: Lessons for the Child Support Enforcement System from Parents' Fair Share. 1998. Fred Doolittle, Suzanne Lynn.

Building Opportunities, Enforcing Obligations: Implementation and Interim Impacts of Parents' Fair Share. 1998. Fred Doolittle, Virginia Knox, Cynthia Miller, Sharon Rowser.

Fathers' Fair Share: Helping Poor Men Manage Child Support and Fatherhood (Russell Sage Foundation). 1999. Earl Johnson, Ann Levine, Fred Doolittle.

Other

Can They All Work? A Study of the Employment Potential of Welfare Recipients in a Welfare-to-Work Program. 1995. James Riccio, Stephen Freedman.

Florida's Project Independence: Benefits, Costs, and Two-Year Impacts of Florida's JOBS Program. 1995. James Kemple, Daniel Friedlander, Veronica Fellerath.

From Welfare to Work Among Lone Parents in Britain: Lessons for America. 1996. James Riccio.

Employment and Community Initiatives

Connections to Work Project

A study of local efforts to increase competition in the choice of providers of employment services for welfare recipients and other low-income populations. The project also provides assistance to cutting-edge local initiatives aimed at helping such people access and secure jobs.

Tulsa's IndEx Program: A Business-Led Initiative for Welfare Reform and Economic Development. 1997. Maria Buck.

Washington Works: Sustaining a Vision of Welfare Reform Based on Personal Change, Work Preparation, and Employer Involvement. 1998. Susan Gooden.

Cost Analysis Step by Step: A How-to Guide for Planners and Providers of Welfare-to-Work and Other Employment and Training Programs. 1998. David Greenberg, Ute Appenzeller.

Designing and Administering a Wage-Paying Community Service Employment Program Under TANF: Some Considerations and Choices. 1999. Kay Sherwood.

San Francisco Works: Toward an Employer-Led Approach to Welfare Reform and Workforce Development. 2000. Steven Bliss.

Jobs-Plus Initiative

A multi-site effort to greatly increase employment among public housing residents.

A Research Framework for Evaluating Jobs-Plus, a Saturation and Place-Based Employment Initiative for Public Housing Residents. 1998. James Riccio.

Mobilizing Public Housing Communities for Work: Origins and Early Accomplishments of the Jobs-Plus Demonstration. 1999. James Riccio.

Building a Convincing Test of a Public Housing Employment Program Using Non-Experimental Methods: Planning for the Jobs-Plus Demonstration. 1999. Howard Bloom.

Section 3 Public Housing Study

An examination of the effectiveness of Section 3 of the 1968 Housing and Urban Development Act in affording employment opportunities for public housing residents.

Lessons from the Field on the Implementation of Section 3 (U.S. Department of Housing and Urban Development). 1996. Maxine Bailey, Suzanne Lynn.

Canada's Earnings Supplement Project

A test of an innovative financial incentive intended to expedite the reemployment of displaced workers and encourage full-year work by seasonal or part-year workers, thereby also reducing receipt of Unemployment Insurance.

Implementing the Earnings Supplement Project: A Test of a Re-employment Incentive (Social Research and Demonstration Corporation). 1997. Howard Bloom, Barbara Fink, Susanna Lui-Gurr, Wendy Bancroft, Doug Tattrie.

Testing a Re-employment Incentive for Displaced Workers: The Earnings Supplement Project. 1999. Howard Bloom, Saul Schwartz, Susanna Lui-Gurr, Suk-Won Lee.

Education Reform

Career Academies

The largest and most comprehensive evaluation of a school-to-work initiative, this nine-site study examines a promising approach to high school restructuring and the school-to-work transition.

Career Academies: Early Implementation Lessons from a 10-Site Evaluation. 1996. James Kemple, JoAnn Leah Rock.

Career Academies: Communities of Support for Students and Teachers — Emerging Findings from a 10-Site Evaluation. 1997. James Kemple.

Career Academies: Building Career Awareness and Work-Based Learning Activities Through Employer Partnerships. 1999. James Kemple, Susan Poglinco, Jason Snipes.

Career Academies: Impacts on Students' Engagement and Performance in High School. 2000. James Kemple, Jason Snipes.

School-to-Work Project

A study of innovative programs that help students make the transition from school to work or careers.

Home-Grown Lessons: Innovative Programs Linking School and Work (Jossey-Bass Publishers). 1995. Edward Pauly, Hilary Kopp, Joshua Haimson.

Home-Grown Progress: The Evolution of Innovative School-to-Work Programs. 1997. Rachel Pedraza, Edward Pauly, Hilary Kopp.

Project Transition

A demonstration program that tested a combination of school-based strategies to facilitate students' transition from middle school to high school.

Project Transition: Testing an Intervention to Help High School Freshmen Succeed. 1999. Janet Quint, Cynthia Miller, Jennifer Pastor, Rachel Cytron.

Equity 2000 is a nationwide initiative sponsored by the College Board to improve low-income students' access to college. The MDRC paper examines the implementation of Equity 2000 in Milwaukee Public Schools.

Getting to the Right Algebra: The Equity 2000 Initiative in Milwaukee Public Schools. 1999. Sandra Ham, Erica Walker.

MDRC Working Papers on Research Methodology

A new series of papers that explore alternative methods of examining the implementation and impacts of programs and policies.

Building a Convincing Test of a Public Housing Employment Program Using Non-Experimental Methods: Planning for the Jobs-Plus Demonstration. 1999. Howard Bloom.

Estimating Program Impacts on Student Achievement Using "Short" Interrupted Time Series. 1999. Howard Bloom.

Using Cluster Random Assignment to Measure Program Impacts: Statistical Implications for the Evaluation of Education Programs. 1999. Howard Bloom, Johannes Bos, Suk-Won Lee.

About MDRC

The Manpower Demonstration Research Corporation (MDRC) is a nonprofit, nonpartisan social policy research organization. We are dedicated to learning what works to improve the well-being of low-income people. Through our research and the active communication of our findings, we seek to enhance the effectiveness of social policies and programs. MDRC was founded in 1974 and is located in New York City and San Francisco.

MDRC's current projects focus on welfare and economic security, education, and employment and community initiatives. Complementing our evaluations of a wide range of welfare reforms are new studies of supports for the working poor and emerging analyses of how programs affect children's development and their families' well-being. In the field of education, we are testing reforms aimed at improving the performance of public schools, especially in urban areas. Finally, our community projects are using innovative approaches to increase employment in low-income neighborhoods.

Our projects are a mix of demonstrations — field tests of promising program models — and evaluations of government and community initiatives, and we employ a wide range of methods such as large-scale studies to determine a program's effects, surveys, case studies, and ethnographies of individuals and families. We share the findings and lessons from our work — including best practices for program operators — with a broad audience within the policy and practitioner community, as well as the general public and the media.

Over the past quarter century, MDRC has worked in almost every state, all of the nation's largest cities, and Canada. We conduct our projects in partnership with state and local governments, the federal government, public school systems, community organizations, and numerous private philanthropies.

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